

**PILOT LOCAL GOVERNMENT
PARTNERSHIP PROGRAM**

**ENTERPRISE
RESTRUCTURING TOOLS
DEVELOPED IN PARTNER
CITY BIELSKO-BIALA**

Prepared for



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PILOT LOCAL GOVERNMENT PARTNERSHIP PROGRAM

ENTERPRISE RESTRUCTURING TOOLS DEVELOPED IN PARTNER CITY BIELSKO-BIALA

During 1996 and 1997 assistance to Bielsko-Biala in the area of enterprise restructuring has been carried out under the Pilot Local Government Partnership Program (Pilot LGPP), a component of USAID's Local Governance Program. In the course of providing direct technical assistance to the city and two of its enterprises, a number of tools have been developed which can be disseminated to other municipalities in Poland interested in:

- C Improving the quality of service provided by municipal service enterprises
- C Improving the efficiency and financial self-sufficiency of enterprises
- C Improving regulation and oversight functions performed at the gmina level

Tools designed to guide assessment of the enterprises and spot opportunities for improvement in service, efficiencies and finances include:

- ! Diagnostic protocol for municipal service enterprises
- ! Enterprise financial condition model

Tools designed to guide the gmina in establishing the appropriate framework for regulation and oversight include:

- ! Sample service agreements between gmina and municipal service enterprises
- ! Sample job descriptions for employees of gmina that will provide regulatory oversight of the enterprises

Tools designed to guide the gmina in legally restructuring enterprises from budgetary enterprises to commercial code companies include:

- ! Sample action plans for accomplishing legal restructuring of enterprises
- ! Sample legal documents needed to accomplish legal restructuring of enterprises:
 - C Company charters
 - C Regulations for Board of Supervisors and Meetings of Shareholders

- ! Sample plan for communicating with employees, customers and other parties affected by or interested in enterprise restructuring
- A detailed description of each of these tools follows.

DIAGNOSTIC PROTOCOL FOR MUNICIPAL SERVICE ENTERPRISES

The Diagnostic Protocol is a set of generic questions to guide the initial diagnostic of the service delivery/enterprise issues in a Pilot LGPP municipality. Certain sets of questions are generic to all municipal service enterprises, for example:

- C Legal structure
- C Organization of the enterprise
- C Degree of autonomy
- C Financial transactions between the enterprise and the gmina
- C Identification of operating activities of the enterprise

Other questions are tailored to the type of enterprise, for example:

- C Profile of customers
- C Operating characteristics
- C Profile of facilities, equipment and vehicles in service
- C Profile of workforce
- C Volume related to services (e.g., waste collected, water/wastewater treated)

In addition, the protocol includes identification of certain documents that should be requested in order to diagnose the enterprise, including:

- C Organization chart
- C Historical financial statements
- C Current year budget
- C Capital investment plan (if it exists)
- C List of facilities, equipment, vehicles in service
- C Tariff or rate schedules
- C Reports to industry associations or others of operating performance, statistics, etc.

NOTE: The diagnostic protocol for municipal services enterprises is not included in this document. It has been submitted to USAID as a separate deliverable.

ENTERPRISE FINANCIAL CONDITION MODEL

The Enterprise Financial Condition Model is a tool that can be used by gminas to evaluate the current and project financial health of its municipal service enterprises and

requirements on the gmina budget over a ten year projection period. The model has been developed so that it can be applied to various municipal service enterprises (water/wastewater, solid waste, transport, central heating) in different Polish gminas. The model presents cash flow, profitability, indicators of financial stability of the enterprise, a projection of the burden on the gmina budget over time, and measures of enterprise effectiveness and efficiency over time. It can be used as a tool for evaluating the effects of alternative strategies on the financial condition of the enterprise.

Top-level information is provided in a consistent format, allowing for variation in supporting detail from enterprise to enterprise. The top-level information generated by the model includes:

- C A graph showing the investment required by the gmina over the projection period
- C A graph showing the shortfall or surplus generated by enterprise operations
- C A table of key indicators and major assumptions

The following financial statements are developed in the model to support this top-level information and are consistent from enterprise to enterprise:

- C Statement of cash flow
- C Balance sheet
- C Income statement

Supporting schedules vary depending on the type of enterprise and include:

- C Schedule of revenues by activity
- C Schedule of operating expenses by activity
- C Schedule of capital investment by activity
- C Schedule of financing

Results from this model can become inputs to the Gmina Financial Analysis model. The following items which affect the gmina budget are specifically identified in the Enterprise Financial Condition model:

- C Investment subsidy to the enterprise
- C Operating subsidy to the enterprise or operating surplus of the enterprise returned to the gmina
- C Payments to the gmina to the enterprise for municipal services
- C Debt of the enterprise guaranteed by the gmina or incurred by the gmina for the enterprise

In addition, the model provides input to the CIP process and overall performance measurement of the gmina in accordance with task-based budgeting.

NOTE: The enterprise financial condition model is not included in this document. It has been submitted to USAID as a separate deliverable.

SAMPLE SERVICE AGREEMENTS BETWEEN GMINA AND MUNICIPAL SERVICE ENTERPRISES

Service agreements between a gmina and its municipal service enterprises identify the rights, responsibilities and expectations of each party. Through the process of negotiating terms and conditions to be included in the service agreements, gmina and enterprise managers are forced to clarify expectations and reach agreement as to what is realistic given the often limited resources of both parties.

The draft agreements prepared for Bielsko-Biala include provisions covering agreed upon:

- C Scope of service
- C Service standards
- C Operations plans
- C Performance measures
- C Reporting requirements

In addition, methodologies for establishing prices, collecting revenues, adjusting services and resolving disputes are included.

These agreements were developed in anticipation of legally restructuring the solid waste/town cleaning and bus transport enterprises. However, it is recommended that gminas reach agreements with all municipal service enterprises, regardless of legal form, so that expectations of the parties are clearly identified and agreed upon. The agreements establish the basis for regulation and oversight of the enterprises by the gmina. They should be re-visited, discussed and possibly re-negotiated by the parties each year.

NOTE: Copies of draft agreements prepared for Bielsko-Biala's two enterprises are attached as Appendix A.

SAMPLE JOB DESCRIPTIONS FOR EMPLOYEES OF GMINA THAT WILL PROVIDE REGULATORY OVERSIGHT OF THE ENTERPRISES

In order to provide proper regulation and oversight of municipal service enterprises, gminas must have qualified staff equipped with clear job descriptions. Pilot LGPP advisors worked with gmina personnel in Bielsko-Biala to develop sample job descriptions for gmina employees tasked with providing regulation and oversight of newly restructured enterprises.

The sample job descriptions were developed with reference to the draft service agreements between the gmina and enterprises. For example, where the service agreements grant the gmina the right to inspect or audit records, the job descriptions include such inspections or auditing as tasks to be performed by the gmina employee. Where the service agreements identify performance measures or service standards to be achieved by the enterprise, the job descriptions identify tasks to be performed by the gmina employee to ensure that the enterprise complies. Where the service agreements provide methodologies for applying for price increases, the job descriptions provide for review and audit of applications.

The number of gmina employees and departments involved in regulation and oversight of municipal service enterprises will depend upon the size of the gmina and its enterprises. Bielsko-Biala plans to hire one person to oversee the bus transport enterprise and another to oversee the solid waste/town cleaning enterprise. Each employee will be a specialist in the operational aspects of the enterprise he or she is charged with overseeing and will be responsible for reporting to the gmina Executive Board and the Council periodically. In other gminas, it may be necessary to adjust job descriptions of existing gmina employees to provide for proper regulation and oversight of enterprises.

NOTE: Copies of sample job descriptions for gminas oversight and regulatory positions are attached as Appendix B.

SAMPLE ACTION PLANS FOR ACCOMPLISHING LEGAL RESTRUCTURING OF ENTERPRISES

In order to legally restructure an enterprise (e.g., from a budgetary enterprise to a commercial code company), certain steps need to be taken by the municipality and the enterprise. The sample action plan identifies the required steps, the parties responsible and the time by which each step should be completed.

In Bielsko-Biala, the action plans were developed in workshops that brought together gmina officials, enterprise managers, representatives from unions and Polish and American advisors. Issues related to restructuring were discussed and required steps to be taken were

identified. Use of this type of participatory process to develop an action plan is recommended in order to build consensus and broad-based ownership in the process.

NOTE: Action plans developed for restructuring Bielsko-Biala's solid waste/town cleaning and bus transport enterprises from budgetary enterprises to joint stock companies are attached as Appendix C.

SAMPLE LEGAL DOCUMENTS NEEDED TO LEGALLY ESTABLISH NEWLY-RESTRUCTURED MUNICIPAL SERVICE ENTERPRISES

Company charters

Regulations for Board of Supervisors and Meetings of Shareholders

Certain legal documents must be prepared when a gmina legally restructures a budgetary enterprise into commercial code company. These include a company charter and regulations of the Board of Supervisors and Meetings of Shareholders.

Similar documents must be prepared when any type of commercial code company is formed. It is particularly important that the gmina be involved in preparation of the documents of newly restructured municipal service enterprises as these documents establish the basis of gmina involvement and influence over the activities of the newly formed companies. For example, draft company charters developed for Bielsko-Biala's solid waste/town cleaning enterprise make reference to equity investment required during the first several years of the company's existence to establish it on a sound basis.

NOTE: Drafts of the documents developed by legal advisors working on legal restructuring of the solid waste/town cleaning and bus transport enterprises of Bielsko-Biala are attached as Appendix D.

SAMPLE PLAN FOR COMMUNICATING WITH EMPLOYEES, CUSTOMERS AND OTHER PARTIES AFFECTED BY OR INTERESTED IN ENTERPRISE RESTRUCTURING

The sample information and communication program identifies recommended actions to be taken by the gmina and the enterprise throughout the process of legal restructuring to provide for greater transparency, participation and acceptance. It first identifies the parties who may be affected by or interested in the restructuring process. Then it identifies different venues which may be used for communications between the parties (e.g., officials statements, press releases, customer surveys, public meetings/ hearings, presentations, brochures).

The communications plan specifically addresses elements which should be considered in negotiating with unions and employees.

NOTE: A copy of the draft information and communication program developed for Bielsko-Biala is attached as Appendix E.

APPENDIX A

SAMPLE SERVICE AGREEMENTS BETWEEN GMINA AND MUNICIPAL SERVICE ENTERPRISES

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

C -
C -

and

Miejski Zakład Komunikacyjny S.A. (City Transportation Company) in Bielsko-Biała, hereinafter called M.Z.K. S.A., which has its seat in and is represented by

C -
C -

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of transportation services and further development of the city of Bielsko-Biała, the parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

' 1

General provisions

1. The scope of this Contract is the provision of services by M.Z.K. S.A. which are specified in '2 of this Contract under hereby defined terms and conditions.
2. Transportation services shall be rendered with the company's own fleet, which is either owned or disposed by M.Z.K. S.A.

' 2

Scope and Purpose of the Contract

1. The purpose of this Contract is to carry out an activity of providing mass transportation service in the area of the city of Bielsko-Biała and improving service quality.

2. The scope of this Contract is:

a. to provide mass transportation service within the administrative border of the city of Bielsko-Biała;

b. to provide city transportation service for the disabled;

c. to clean bus stops and separated curbs or horizontal marking of road subgrade of snow and ice and removal of municipal waste, mud and other refuse in the area in accordance with the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, *Art. 5 item 3* (Journal of Law No. 132, item 622).

3. The scope of transportation service, specified in 2a, for definite periods is set forth by the Operation Schedule given in Annex No. to this Contract and is its integral part. The Schedule defines:

a. number of buses in traffic and mileage in kilometers for individual months and days;

b. routs and transportation lines.

4. The transportation needs of Bielsko-Biała are taken into account in the Schedule and practically used service standards in relation to the resources available to the Municipality for transportation services.

5. In order to implement the plans in operations economically MZK S.A. shall be carrying out its own observations, tests and analyses of changing transportation needs and manners of satisfying them, and the information concerning them shall be gathered in a manner that ensures their clarity. The Municipality shall be entitled to have access to these data, and obtain them, if required. The Municipality shall make any such analogous information and data it is in possession of.

6. The Municipality has the right of submitting comments and requests to the Operational Schedule being implemented and MZK S.A. is obliged to analyze and consider them.

7. Changes in the Operational Schedule are agreed upon by way of annexes to the contract at a month's notice.

8. The Parties agree that the extent of services express in bus-kilometers can be changed within one month up to 3% without a necessity of amending the contract.

' 3

Rights and obligations of the Parties

1. If the Municipality makes a decision about starting additional lines or increasing frequency of buses in the existing lines, it should ask MZK S.A. for its opinion on this issue.
2. Within 14 days from the receipt of the Municipality's request, MZK S.A. shall present it a financial and expediency analyses for starting new bus lines.
3. Even though the effects of the undertaking presented in the opinion issued by MZK S.A. are negative, the Municipality can start additional bus lines or increase frequency on the existing lines, securing in the Municipal budget the resources necessary to cover the costs of operating them.
4. The Municipality shall consider its request and analysis, which is mentioned in ' 3.2 with due diligence, taking into account all the aspects, and in particular economic, those related with the expediency as well as social aspects.
5. The decision concerning starting new bus lines should be made within days from the date of submission of the analysis mention in ' 3.2.
6. MZK S.A. can apply for closing down unprofitable bus lines, at the same time submitting a financial and expediency analyses giving grounds for the reasons for such an application.
7. The Municipality can either reject or accept the application mentioned in ' 3.6. In case of rejection the Municipality shall cover the costs related to operation of unprofitable bus lines.
8. The application mentioned in ' 3.6 and ' 3.7 should be submitted at the latest by 15 July of the year preceding the fiscal year, so that in case of its rejection the Municipality has an opportunity for budgeting the costs of operating such a line for the next year.
9. MZK S.A. shall manage vehicles which render the services specified in ' 2.2a and ' 2.2b efficiently in order to adjust them for current transportation needs in the best possible and economically justified way.
10. MZK S.A. shall maintain the vehicles in proper technical conditions, observing cleanness in buses, and providing up-to-date information about transportation services in the area and the timetables on an ongoing basis.
11. Other entities can be subcontracted by MZK S.A., under separate contracts, to provide a part of the services mentioned in ' 2.2a and b. However the same fares and provisions

concerning inspection of transportation services rendered must be maintained. MZK S.A. bear full responsibility for the implementation of these services, which must not be inferior in terms of quality and level of service than the services rendered by MZK S.A.

12. The Municipality has a right to inspect the services provided by MZK S.A. MZK S.A. shall make all the relevant documentation available for inspection purposes.

13. The execution of the provisions of ' 2.2c can be subcontracted by MZK S.A., under a separate contract.

14. It is the obligation of MZK S.A. to issue, distribute and control its tickets.

' 4

Settlements (financial issues)

1. Establishing fares for city transportation services together with defining the scope of services provided in return for them is the responsibility of the Municipality and is done on the basis of realistic and transparent calculations presented by MZK S.A.

2. Each year the Municipality shall secure resources in its budget for a transportation subsidy.

3. The Municipality shall transfer the subsidies every month in the amount of one twelfth of the amount defined in ' 4.2 in the following manner: the first 50% of the amount shall be transferred by 10th day of each month, and the remaining 50% of the amount by 20th day of each month.

4. In case of a written agreement between the Municipality and MZK S.A. the dates or amounts transferred as a subsidy can be altered, yet the total amount of the subsidy defined in ' 4.2 must remain the same.

5. The settlement of the use of the subsidy by MZK S.A. takes place once a year until 15 July of the next year after the year in which the subsidy was transferred to MZK S.A. Such a settlement is presented as a financial statement which contains transparent statement of subsidy utilization.

6. The maximum amount of the subsidy for the next year is specified on the basis of economic and financial projection presented by MZK S.A. until 15 July of the previous year. The economic and financial projection presented by MZK S.A. is subject to acceptance by the Municipality.

' 5

Contract Execution Supervision

1. MZK S.A. shall submit to the Municipality quarterly/semi-annual reports on the actual expenditures related to the activity specified in '2.2 *a* and *b* and the income generated by it.
2. MZK S.A. shall submit to the Municipality annual comparative reports on the progress in the issues specified in the *preamble* and in '2 of this Contract.

' 6

Contractual penalties

1. If the Municipality fails to fulfill the provisions of this Contract which are specified in '4.3 MZK S.A. shall receive from the Municipality the amount of as damages.
2. If MZK S.A. fails to fulfill the provisions of this Contract which are specified in '2.2*a* and *b* the Municipality shall receive the amount of as damages.
- 3.¹ In case of documented unfulfillment of the provisions of ' '3.9 and 3.10 and in particular in instances of:
 - a. buses not running according to the timetable;
 - b. no information about fares and regulations concerning buses;
 - c. missing, inoperative or improperly set ticket validating devices;
 - d. a lack of tickets for sale on buses;
 - e. improper or incomplete information boards;
 - f. unclean buses;

¹ It is suggested that the Municipality set up within its organizational structure a special authorized unit to carry out the inspections provided for in this item.

g. a bus' failure to stop at bus stops

MZK S.A. shall pay the Municipality a penalty in the amount of times the value at a full-fare ticket.

4. In case the subsidy specified in ' 4.3 is delayed the Municipality shall cover in full the documented losses that resulted from such a delay.

' 7

Duration of the Contract

This Contract in the scope defined in ' 2.2a and b is concluded for an unspecified period with an option for its termination 6 months before the end of a calendar year.

' 8

Final provisions

1. Any issues which are not settled by this Contract are subject to the provisions of the Civil Code.

2. All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the Municipality is located.

3. The Contract has been executed in identical copies, for each party.

4. Any amendments to this Contract other than an annex in writing shall be null and void.

5. This Contract becomes effective upon signing.

MUNICIPALITY

MZK. S.A.

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

Annex No.
to the Contract dated

ASSUMPTIONS AND PRINCIPLES FOR THE TRANSPORTATION SUBSIDY (suggestion)

The following indicators should be taken into account in the calculation of the transportation subsidy:

1. the income generated from the sales of reduced-fare tickets;
2. estimated number of citizens entitled to buy reduced-fare tickets (including the data concerning the numbers of: students of institutions of higher education, secondary school students, primary school children, military service men wearing uniforms);
3. the income generated from the sales of full-fare tickets;
4. estimated number of monthly passes and annual free ride passes (including such estimates like the number of children before years of age, persons who are years of age and over, disabled war veterans, disabled persons with 1st group of disability and their guides, the blind and their guides, police officers wearing uniforms, children attending institutions of special education and their guardians, disabled children and their guardians).

These data should be supported by the information is helpful in obtaining in the simplest and most reliable way estimation of the cost of the transportation subsidy - for example a percentage of daily number of passengers entitled to reduced fares in relation to the total number of passengers, and separately, number of citizens entitled to free fares.

A time frame of this type of information should be given: a week, a month, a quarter, a year.

Annex No.
to the Contract dated

OPERATIONAL SCHEDULE (suggestion)

should include among others, the following data:

1. line number;
2. line route;
3. line service hours (including weekdays, Saturdays, Sundays and holidays);
4. number of buses serving a particular line;
5. number of drivers serving vehicles of specific lines (including weekdays, Saturdays, Sundays and holidays);
6. length of routes (including number of kilometers of individual lines)

SUGGESTED STATEMENT OF EXPENDITURES

TOTAL COSTS						
MATERIALS AND ENERGY						
- including energy						
OUTSIDE SERVICE						
TAXES AND FEES						
- income tax						
- VAT levied which is not subject to reimbursement or deduction						
PAYROLL						
EMPLOYEE BENEFITS						
- including ZUS (social insurance premium)						
DEPRECIATION						
CREDIT SERVICE						
OTHER COSTS (e.g. transportation service)						
	I	II	III	IV	V	VI

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

Ł -
Ł -

and

Zakład Oczyszczania Miasta S.A. (Town Cleaning Company) in Bielsko-Biała, hereinafter called Z.O.M. S.A. and represented by

Ł -
Ł -

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of services and competitiveness, further development of the city and more effective implementation of tasks connected with the maintenance of order and cleanness in Bielsko-Biała, the parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

General provisions

' 1

The scope of this Contract is the provision of services by Z.O.M. S.A. of winter cleaning of the city.

Scope of the Contract

' 2

The scope of this Contract includes the following range of necessary work connected with winter cleaning of the city in accordance with the ASchedule of winter maintenance of roads@ accepted annually by the Municipality:

- a. maintaining roads passable through cleaning streets by means of specialized equipment,
- b. removal of snow accumulated on city's streets, sidewalks and squares,
- c. prevention and elimination of ice hazard on streets, sidewalks and squares of the city,
- d. collection and distribution of an adequate quantity of roughening materials, necessary for the prevention and elimination of glaze and other ice hazard; adequate quantities and distribution are specified in ASchedule of winter maintenance of roads@ (or in Appendix No.)
- e. establishment of a roster of (especially at night and from 4 p.m. to 10 p.m.) people and equipment in adequate numbers, in order to perform the tasks mentioned in *items a - c* as fast as possible.

' 3

The ice and snow from the streets and sidewalks shall be removed and stored by Z.O.M. S.A. on the storage sites indicated by the Municipality.

' 4

The commencement and termination of the snow removal operation shall take place immediately after receiving a notification from

Rights and obligations of the Parties

' 5

While performing the tasks mentioned in 2 of the present contract Z.O.M. S.A. shall comply with the Municipality's written orders and guidelines defining the scope of particular tasks and the time of their implementation.

' 6

In case of road-works or other obstacles rendering the performance of the tasks defined in 2 a, b, c and d difficult or impossible, Z.O.M. S.A. bears no responsibility for disturbances or delay in performing the tasks in the places where the disturbances occurred.

' 7

1. All the work connected with winter cleaning of the city, specified in 2 shall be performed by Z.O.M. S.A. in accordance with the requirements of environment protection and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, performing the assigned tasks with due diligence.

2. Additionally, the works carried out by Z.O.M. S.A. should be in accordance with the Resolution No. of the City Council in Bielsko-Biala dated concerning the requirements for the maintenance of cleanness and order on the territory of properties, and with the Resolution No. of the City Council dated concerning the specification of the type of equipment designed for the collection of municipal waste on properties and public roads, the principles of their arrangement, and about the frequency, principles and ways of the removal of municipal waste from properties and other public places.

' 8

1. Execution of the works defined in '2 can be subcontracted by Z.O.M. S.A.

2. The entity, which was subcontracted to carry out the works coming within the scope of this Contract, shall perform them with due diligence. In spite of due diligence with which the subcontracted works specified in *sentence 1* and in *item 1* are carried out, their quality must not be inferior to the quality of the tasks carried out by Z.O.M. S.A.

Supervision of the execution of the Contract¹

' 9

1. The Municipality shall inspect the quality of the tasks mentioned in '2, and in particular compliance with the sanitary requirements and regulations concerning order, in the presence

¹ It is suggested that the Municipality set up a special unit capable (in terms of both human resources and equipment) of carrying out such specialized inspections.

of a Z.O.M. S.A. representative or representatives of Z.O.M. S.A. and its subcontractor – when the inspection of the task subcontracted by the Z.O.M. S.A is conducted.

2. If the inspection is carried out by the Municipality, Z.O.M. S.A. and its subcontractor are obliged to make accessible all the documentation relating to the matter under inspection.
3. Additionally, municipal functions can, at any time, inspect the performance of tasks by Z.O.M. S.A. and its subcontractor.

' 10

Z.O.M. S.A. shall submit to the Municipality quarterly/semi-annual reports on the work performed under this Contract. This also refers to the works subcontracted by Z.O.M. S.A.

Settlements under the Contract. Contractual penalties

' 11

1. Prices for services provided under this Contract are agreed upon by the Parties, considering the incurred costs determined on the basis of hourly rates for labor and equipment specified in Appendix No.
2. Payment for services provided shall be payable as per invoices issued by Z.O.M. S.A., on the basis of acceptance protocols of performed tasks, approved by the Municipality, by means of transfer into an indicated Z.O.M. S.A. account, within days from the date of the receipt of invoice by the Municipality.
3. Any delays in payment the Municipality shall be subject to statutory interest payable for each day of the delay.

' 12

1. If Z.O.M. S.A. fails to perform the works coming within the scope of this Contract, performs them inadequately or without due diligence, Z.O.M. S.A. shall pay a contractual penalty in the amount of The contractual penalty shall not disengage Z.O.M. S.A. from the obligation to perform the work immediately and completely.
2. If recurrent significant breaches of the provisions of the Contract, are revealed by inspections, both those mentioned in '9.1 and by inspections carried out by other authorized entities, the Municipality will be entitled to terminate the Contract without the necessity of observing the term of notice concerning Contract termination.

3. If the amount of the damage exceeds the value of contractual penalties established under this Contract, the parties can claim damages on generally applicable principles.

4. In case of an unjustified withdrawal of one of the parties from the Contract, the withdrawing party shall pay a contractual penalty in the amount of

Duration of the Contract

' 13

1. The contract is closed for an unspecified period.

2. Either party has the right to terminate the Contract at months' notice, becoming effective at the end of a month.

3. In the case, which is specified in ' 12.2 the Contract shall be terminated by the Municipality, and such termination becomes effective immediately. In such a case the provisions of 12.4 shall not be applicable.

Final provisions

' 14

Any amendments to this Contract other than an annexe in writing shall be null and void.

' 15

Any issues which are not settled by this Contract are subject to the provisions of the Civil Code.

' 16

All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the Municipality is located.

' 17

The Contract has been executed in identical copies, for each party.

MUNICIPALITY

Z.O.M. S.A.

.....
(first and last name of the signee).....
(first and last name of the signee).....
(first and last name of the signee).....
(first and last name of the signee)

Appendix No.
to the Contract No. dated

LIST OF ROUGHENING MATERIALS

- C SAND - quantity in tons
- C SLAG - quantity in tons
- C (sodium and calcium) CHLORIDE- quantity in tons

Appendix No.
to the Contract No. dated

STATEMENT OF EXPENDITURE

should include such data as:

- C worker's hourly rate (broken down into the rates for night-time work and the positions, together with social insurance premiums (ZUS),
- C costs of fuel and oil,
- C costs of individual snow-clearing operations (specifying a number of vehicles used, quantity of fuel used, number of people engaged, quantity of roughening materials used),
- C costs of general overhaul and equipment repair,
- C other costs (e.g. costs of receiving weather reports, installation and maintenance of radio-stations, etc.).

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

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C -

and

Zakład Oczyszczania Miasta S.A. (Town Cleaning Company) in Bielsko-Biała, hereinafter called Z.O.M. S.A. and represented by

C -
C -

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of services and competitiveness, further development of the city and more effective implementation of tasks connected with the maintenance of order and cleanness in Bielsko-Biała, the parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

General provisions

' 1

The scope of this Contract is the provision of services by Z.O.M. S.A. of prevention of the origination, and elimination of unauthorized waste dumps in the territory of the city of Bielsko-Biała.

Scope of the Contract

' 2

1. The scope of this Contract includes elimination of unauthorized waste dumps located and indicated by the Municipality.

2. Elimination of unauthorized waste dumps is understood as removal of waste, tidying up of the area and its reclamation.

Rights and obligations of the Parties

' 3

1. Z.O.M. S.A. shall perform the tasks defined in '2 with due diligence during the implementation of the provisions of this Contract and in particular it shall:

a. provide suitable technical equipment necessary during execution of the tasks which are the subject of this Contract,

b. provide suitably skilled personnel,

c. co-operate with the Municipality and Municipal Guard during the elimination of unauthorized waste dumps.

' 4

The maximum prices for the work actually carried out in connection with the elimination of an unauthorized waste dump shall be set by the Municipality.

' 5

Z.O.M. S.A. shall perform the works coming within the scope of this Contract all year round on an ongoing basis, on the basis of written orders issued by the Municipality.

' 6

1. Execution of the works defined in '2 can be subcontracted by Z.O.M. S.A.

2. The entity, which was subcontracted to carry out the works coming within the scope of this Contract, shall perform them with due diligence. In spite of due diligence with which the subcontracted works specified in *sentence 1* and in *item 1* are carried out, their quality must not be inferior to the quality of the tasks carried out by Z.O.M. S.A.

3. The entity subcontracted by Z.O.M. S.A. is subject to the provisions of this Contract and to the provisions of the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.



' 7

Before signing this Contract Z.O.M. S.A. shall obtain a permit issued on the basis of the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 8

Z.O.M. S.A. shall carry out all the works specified in ' 2 in accordance with the requirements of environmental protection and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, performing the ordered tasks with due diligence.

Supervision of the execution of the Contract**' 9**

1. The Municipality shall inspect the quality of the tasks mentioned in '2, and in particular compliance with the sanitary requirements and regulations concerning order, in the presence of a Z.O.M. S.A. representative or representatives of Z.O.M. S.A. and its subcontractor – when the inspection of the task subcontracted by the Z.O.M. S.A is conducted.
2. If the inspection is carried out by the Municipality, Z.O.M. S.A. and its subcontractor are obliged to make accessible all the documentation relating to the matter under inspection.
3. Additionally, municipal functions can, at any time, inspect the performance of tasks by Z.O.M. S.A. and its subcontractor.

' 10

Z.O.M. S.A. shall submit to the Municipality quarterly/semi-annual reports on the work performed under this Contract. This also refers to the works subcontracted by Z.O.M. S.A.

Settlements under the Contract. Contractual penalties**' 11**

1. Prices for services provided under this Contract are agreed upon by the Parties, considering the incurred costs determined on the basis of hourly rates for labor and equipment specified in Appendix No.
2. Payment for services provided shall be payable as per invoices issued by Z.O.M. S.A., on the basis of acceptance protocols of performed tasks, approved by the Municipality, by means

of transfer into an indicated Z.O.M. S.A. account, within days from the date of the receipt of invoice by the Municipality.

3. Any delays in payment the Municipality shall be subject to statutory interest payable for each day of the delay.

' 12

1. If Z.O.M. S.A. fails to perform the works coming within the scope of this Contract, performs them inadequately or without due diligence, Z.O.M. S.A. shall pay a contractual penalty in the amount of The contractual penalty shall not disengage Z.O.M. S.A. from the obligation to perform the work immediately and completely.

2. If the amount of the damage exceeds the value of contractual penalties established under this Contract, the parties can claim damages on generally applicable principles.

3. In case of an unjustified withdrawal of one of the parties from the Contract, the withdrawing party shall pay a contractual penalty in the amount of

4. If recurrent significant breaches of the provisions of the Contract, are revealed by inspections, both those mentioned in '9.1 and by inspections carried out by other authorized entities, the Municipality will be entitled to terminate the Contract without the necessity of observing the term of notice concerning Contract termination.

Duration of the Contract

' 13

1. The Contract is concluded for the period of years.

2. Either party has the right to terminate the Contract at months' notice, becoming effective at the end of a month.

3. If Z.O.M. S.A. loses the permit mentioned in '7 the Contract shall be terminated by the Municipality, and such termination becomes effective immediately.

Final provisions**' 14**

Any amendments to this Contract other than an annexe in writing shall be null and void.

' 15

Any issues which are not settled by this Contract are subject to the provisions of the Civil Code and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 16

All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the Municipality is located.

' 17

The Contract has been executed in identical copies, for each party.

MUNICIPALITY

Z.O.M. S.A.

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

C -
C -

and

Zakład Oczyszczania Miasta S.A. (Town Cleaning Company) in Bielsko-Biała, hereinafter called Z.O.M. S.A. and represented by

C -
C -

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of services and competitiveness, further development of the city and more effective implementation of tasks connected with the maintenance of order and cleanness in Bielsko-Biała, the Parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

General provisions

' 1

The scope of this Contract is the provision of services by Z.O.M. S.A. of order and cleanness maintenance of the city.

Scope of the Contract

' 2

In order to perform the contract adequately Z.O.M. S.A. shall:

- 1.** Remove solid municipal waste from the areas and properties specified in Annex No. 1 to this Contract.
- 2.** Provide properties, areas, and municipal facilities with containers for gathering waste, repair and maintain them as well as provide the city with street garbage cans and maintain them on an ongoing basis. Distribution and number of containers is specified in Annex No. 2.
- 3.** Maintain containers and street garbage cans defined in '2.2 in proper sanitation, order and appearance.

' 3

- 1.** The scope of works specified in '2.1 requires Z.O.M. S.A. to:
 - a.** distribute in indicated sites containers which are in good working order and sanitation, and satisfy safety and health, and environmental protection requirements;
 - b.** collect the waste from containers in a timely manner;
 - c.** remove the waste gathered next to containers.
- 2.** The containers should be placed in a way that enables easy access for their users.
- 3.** Special containers with permanent labeling indicating type of waste they are designed for, should be used for selective waste collection (paper, glass, metal, plastics).
- 4.** The contamination occurred during loading and transportation of waste to the landfill shall be removed by Z.O.M. S.A. immediately.

' 4

- 1.** The scope of works specified in '2.1 requires Z.O.M. S.A. to place and empty street garbage cans, wash and paint the cans periodically, at least once a year.
- 2.** If it is found that the waste of a garbage can is emptied outside the site the can is located at, Z.O.M. S.A. shall remove the waste as part of its scope of services.
- 3.** If it is found that a garbage can is missing or damaged, Z.O.M. S.A. shall repair or replace it.

' 5

Containers and street garbage cans, which are mentioned in ' 3 and ' 4 should satisfy the requirements defined in Annex No. 1 to the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.

' 6

1. Municipal waste shall be removed and landfilled by Z.O.M. S.A. at the municipal landfill.
2. To transport the waste, Z.O.M. S.A. should use specialized equipment with devices preventing the waste from being scattered or spilled. The equipment must meet the requirements defined in Annex No. 2 to the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.
3. Maximum charges for waste landfilling are set by the Municipality.

' 7

The works under this Contract shall be carried out by Z.O.M. S.A. all year round on an ongoing basis and with a frequency defined in Annex No. to the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.

Rights and obligations of the Parties

' 8

Before signing this Contract Z.O.M. S.A. shall obtain a permit issued on the basis of the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 9

In case of road works in progress or any other obstacles rendering the removal of municipal waste difficult or impossible, Z.O.M. S.A. shall bear no responsibility for any disturbances or delays in the execution of the works where such disturbances have occurred.

' 10

1. Z.O.M. S.A. shall carry out all the works specified in ' 2 in accordance with the requirements of environmental protection and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, performing the ordered tasks with due diligence.

2. Additionally, the works should be carried out by Z.O.M. S.A. in accordance with the Resolution No. of the City Council dated concerning the requirements for cleanness and order in the area of a property and with the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.

3. Execution of the works defined in ' ' 2, 3 and 4 can be subcontracted by Z.O.M. S.A. to other entities. The entities, which were subcontracted to carry out the works coming within the scope of this Contract, shall perform them with due diligence. The above-mentioned entities are subject to the provisions of this Contract and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, performing the ordered tasks with due diligence.

Supervision of the execution of the Contract¹

' 11

1. The Municipality shall inspect the quality and timely performance of the tasks and in particular, the compliance with the sanitary requirements and regulations concerning order, and environment in the presence of a Z.O.M. S.A. representative or representatives of Z.O.M.

¹ It is suggested that the Municipality set up a special unit capable (in terms of both human resources and equipment) of carrying out such specialized inspections.

S.A. and its subcontractor -- when the inspection of the task subcontracted by the Z.O.M. S.A. is conducted.

2. Additionally, municipal functions can, at any time, inspect the performance of tasks by Z.O.M. S.A. and its subcontractor.

3. If the inspection is carried out by the Municipality, Z.O.M. S.A. and its subcontractor are obliged to make all the documentation relating to the matter under inspection available.

' 12

Z.O.M. S.A. shall submit to the Municipality quarterly/semi-annual reports on the work performed under this Contract. The form and contents of the reports is given in Annex No. This also refers to the works subcontracted by Z.O.M. S.A.

Settlements under the Contract. Contractual penalties

' 13

1. Prices for services provided under this Contract are agreed upon by the Parties, considering the incurred costs determined on the basis of hourly rates for labor and equipment, transportation and emptying garbage cans, and maximum charges which are mentioned in ' 6.3.

2. Payment for services provided shall be payable as per invoices issued by Z.O.M. S.A., by means of transfer into an indicated Z.O.M. S.A. account, within days from the date of the receipt of invoice by the Municipality.

3. Any delays in payment the Municipality shall be subject to statutory interest payable for each day of the delay.

' 14

1. If Z.O.M. S.A. fails to perform the works coming within the scope of this Contract, performs them inadequately or without due diligence, Z.O.M. S.A. shall pay a contractual penalty in the amount of The contractual penalty shall not disengage Z.O.M. S.A. from the obligation to perform the work immediately and completely.

2. If the amount of the damage exceeds the value of contractual penalties established under this Contract, the parties can claim damages on generally applicable principles.

3. In case of an unjustified withdrawal of one of the parties from the Contract, the withdrawing party shall pay a contractual penalty in the amount of

4. If recurrent significant breaches of the provisions of the Contract are revealed by inspections, both those mentioned in ' 11.1 and by inspections carried out by other authorized entities, the Municipality will be entitled to terminate the Contract without the necessity of observing the term of notice concerning Contract termination. In such a case the provisions of ' 14.3 shall not apply.

Duration of the Contract

' 15

1. The Contract is concluded for an unspecified period.

2. Either party has the right to terminate the Contract at months' notice, becoming effective at the end of a month.

3. If Z.O.M. S.A. loses the permit mentioned in ' 8 the Contract shall be terminated by the Municipality, and such termination becomes effective immediately.

Final provisions

' 16

Under a separate contract Z.O.M. S.A. can be made administrator and manager of the landfill in Bielsko-Biala.

' 17

Any amendments to this Contract other than an annex in writing shall be null and void.

' 18

Any issues which are not settled by this Contract are subject to the provisions of the Civil Code and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 19

All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the Municipality is located.

' 20

The Contract has been executed in identical copies, for each party.

MUNICIPALITY

Z.O.M. S.A.

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

SUGGESTED LIST OF INDICATORS FOR CONTRACT PERFORMANCE EVALUATION

Services		Indicators			Performance measurements	
Type of Service	Scope of Service	Required Data	Input Data	Output Data	Capacity	Effectiveness
1. Removal and landfilling of municipal waste	1. Removal and landfilling of municipal waste and other	-number of entities to be served -number of tons of generated waste	-number of employees -number of trucks -litters of fuel -total expenses	-number of entities served -number of tons of waste removed	-cost related to removal of 1 ton of waste -cost per 1 entity served	-number of complaints per 100 served entities
2. Street cleaning (summer and winter)	2. Street cleaning (summer and winter)	-number of kilometers of roads to be cleaned -number of containers and garbage cans	-number of available containers and garbage cans -roads in kilometers	-number of kilometers of streets cleaned -number of complaints -number of containers in use	-tons of removed waste per employee per day -number of kilometers cleaned per employee	-% amount of collected waste -% amount of entities served -% streets cleaned in km, -% container use -% use of cleaning equipment in a given period

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

C -
C -

and

Zakład Oczyszczania Miasta S.A. (Town Cleaning Company) in Bielsko-Biała, hereinafter called Z.O.M. S.A. and represented by

C -
C -

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of services and competitiveness, further development of the city and more effective implementation of tasks connected with the maintenance of order and cleanness in Bielsko-Biała, the Parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

General provisions

' 1

The scope of this Contract is the provision of services by Z.O.M. S.A. of all-year cleaning of the city.

Scope of the Contract

' 2

The scope of this Contract includes the following range of necessary works related to all-year cleaning of the city, which are specified in Attachment No. 1:

a. maintaining cleanliness of streets by means of cleaning streets and sidewalks with specialized equipment, and particularly precipitation mud, sand, gravel, glass and other objects render moving about the city difficult,

b. sprinkling streets with water upon written request by the Municipality.

' 3

1. The waste collected as a result of the works specified in ' 2 shall be removed and stored by Z.O.M. S.A. at the municipal landfill.

2. To transport the waste specified in *passage 1* Z.O.M. S.A. should use specialized equipment with devices preventing the waste from being scattered or spilled. The equipment must meet the requirements defined in Annex No. 2 to the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.

3. Maximum charges for waste landfilling are set by the Municipality.

' 4

All-year cleaning of the city is understood as the works defined in ' 2 of this Contract carried out all year round except the periods of winter operation specified every year in the ~~A~~Schedule of Winter Road Maintenance@.

Rights and obligations of the Parties

' 5

Before signing this Contract Z.O.M. S.A. shall have obtained a permit issued in accordance with the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996 by the Municipality, which constitutes a basis for the activity defined in ' 2 of this Contract, Z.O.M. S.A. shall carry out written orders and guidelines of the Municipality, which define the range of individual works and time of their implementation.

' 6

In case of road works in progress or any other obstacles rendering the execution of works defined in ' 2 difficult or impossible, Z.O.M. S.A. shall bear no responsibility for any disturbances or delays in the execution of the works where such disturbances have occurred.

' 7

1. Z.O.M. S.A. shall carry out all the works specified in ' 2 in accordance with the requirements of environmental protection and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996, performing the ordered tasks with due diligence.

2. Additionally, the works should be carried out by Z.O.M. S.A. in accordance with the Resolution No. of the City Council dated concerning the requirements for cleanness and order in the area of a property and with the Resolution No. of the City Council dated concerning the type of equipment designed for collecting waste in the area of properties and on public roads, rules for its distribution, and the frequency, rules and manner of disposal of municipal waste from properties and other areas intended for public use.

' 8

1. Execution of the works defined in ' 2 can be subcontracted by Z.O.M. S.A.

2. The entity, which was subcontracted to carry out the works coming within the scope of this Contract, shall perform them with due diligence. In spite of due diligence with which the subcontracted works specified in *sentence 1* and in *passage 1* are carried out, their quality must not be inferior to the quality of the tasks carried out by Z.O.M. S.A.

3. The entity subcontracted by Z.O.M. S.A. is subject to the provisions of this Contract and to the provisions of the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

Supervision of the execution of the Contract¹

¹ It is suggested that the Municipality set up a special unit capable (in terms of both human resources and equipment) of carrying out such specialized inspections.

' 9

1. The Municipality shall inspect the quality of the tasks mentioned in ' 2.
2. In particular, the inspections mentioned in *item 1* shall be concerned with the compliance with the sanitary requirements and regulations concerning order, and are carried out in the presence of a Z.O.M. S.A. representative or representatives of Z.O.M. S.A. and its subcontractor -- when the inspection of the task subcontracted by the Z.O.M. S.A is conducted.
3. If the inspection is carried out by the Municipality, Z.O.M. S.A. and its subcontractor are obliged to make all the documentation relating to the matter under inspection available.
4. Additionally, municipal functions can, at any time, inspect the performance of tasks by Z.O.M. S.A. and its subcontractor.

' 10

Z.O.M. S.A. shall submit to the Municipality quarterly/semi-annual reports on the work performed under this Contract. This also refers to the works subcontracted by Z.O.M. S.A.

Settlements under the Contract. Contractual penalties

' 11

1. Prices for services provided under this Contract are agreed upon by the Parties, considering the incurred costs determined on the basis of hourly rates for labor and equipment specified in Appendix No. and maximum rates for services of municipal waste disposal set by the Municipality.
2. In case of subcontracting the provision of a service coming within the scope of this Contract, prices for the service actually rendered by a subcontractor which is re invoiced by Z.O.M. S.A. must not exceed the maximum prices set by the Municipality, which are mentioned in ' 3.3.
3. Payment for services provided shall be payable as per invoices issued by Z.O.M. S.A., on the basis of acceptance protocols of performed tasks, approved by the Municipality, by means of transfer into an indicated Z.O.M. S.A. account, within days from the date of the receipt of invoice by the Municipality.
4. Any delays in payment the Municipality shall be subject to statutory interest payable for each day of the delay.

' 12

1. If Z.O.M. S.A. fails to perform the works coming within the scope of this Contract, performs them inadequately or without due diligence, Z.O.M. S.A. shall pay a contractual penalty in the amount of The contractual penalty shall not disengage Z.O.M. S.A. from the obligation to perform the work immediately and completely.
2. If the amount of the damage exceeds the value of contractual penalties established under this Contract, the parties can claim damages on generally applicable principles.
3. In case of an unjustified withdrawal of one of the parties from the Contract, the withdrawing party shall pay a contractual penalty in the amount of
4. If recurrent significant breaches of the provisions of the Contract are revealed by inspections, both those mentioned in '9 and by inspections carried out by other authorized entities, the Municipality will be entitled to terminate the Contract without the necessity of observing the term of notice concerning Contract termination.

Duration of the Contract**' 13**

1. The Contract is concluded for an unspecified period.
2. Either party has the right to terminate the Contract at months' notice, becoming effective at the end of a month.
3. If Z.O.M. S.A. loses the permit mentioned in '5 the Contract shall be terminated by the Municipality, and such termination becomes effective immediately.

Final provisions**' 14**

Any amendments to this Contract other than an annex in writing shall be null and void.



' 15

Any issues which are not settled by this Contract are subject to the provisions of the Civil Code and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 16

All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the Municipality is located.

' 17

The Contract has been executed in identical copies, for each party.

MUNICIPALITY

Z.O.M. S.A.

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

Annex No.

to the Contract No. dated

STATEMENT OF EXPENDITURE (suggestion)

should include such data as:

- C worker's hourly rate (broken down into the rates for night-time work and the positions, together with social insurance premiums (ZUS),
- C costs of fuel and oil,
- C costs of general overhaul and equipment repair,
- C other costs (e.g. costs of receiving weather reports, installation and maintenance of radio-stations, etc.).

SUGGESTED LIST OF INDICATORS FOR CONTRACT PERFORMANCE EVALUATION

Services		Indicators			Performance measurements	
Type of Service	Scope of Service	Required Data	Input Data	Output Data	Capacity	Effectiveness
1. Removal and landfilling of municipal waste 2. Street cleaning (summer and winter)	1. Removal and landfilling of municipal waste and other 2. Street cleaning (summer and winter)	a.number of entities to be served b.number of tons of generated waste c.number of kilometers of roads to be cleaned d.number of containers and garbage cans	e.number of employees f.number of trucks g.liters of fuel h.total expenses i.number of available containers and garbage cans j.roads in kilometers	a.number of entities served b.number of tons of waste removed c.number of kilometers of streets cleaned d.number of complaints e.number of containers in use	a.cost related to removal of 1 ton of waste b.cost per 1 entity served c.tons of removed waste per employee per day d.number of kilometers cleaned per employee	a.number of complaints per 100 served entities b.% amount of collected waste c.% amount of entities served d.% streets cleaned in km, e.% container use f.% use of cleaning equipment in a given period

CONTRACT No.

concluded on in Bielsko-Biała, between:

The Municipality of Bielsko-Biała, hereinafter called the Municipality, represented by the members of the Executive Committee:

C -
C -

and

....., and represented by

C -
C -

hereinafter called the Landfill Operator

PREAMBLE

In the interest of city's residents, in order to ensure improvement in quality of services and competitiveness, further development of the city and more effective implementation of tasks connected with the maintenance of order and cleanness in Bielsko-Biała, the parties to the Contract hereby agree as follows:

CONTENTS OF THE CONTRACT

Subject and scope of the Contract

' 1

The scope of this Contract is the management and operation of the municipal landfill in Bielsko-Biała, hereinafter called the Landfill.

' 2

Under this Contract the Landfill Operator is obliged to manage the Landfill activities and to receive and store municipal waste coming from the city of Bielsko-Biała and delivered to the Landfill by Waste Deliverers.

' 3

1. The following waste can be stored at the ALandfill@

- C fine solid waste,
- C large solid waste,
- C other acceptable waste.

2. The detailed list of waste which can be stored at the ALandfill@ is given in the Appendix No. to this Contract.

3. No hazardous and harmful wastes must be stored at the landfill, the storage of which is not permitted. Such wastes are listed in the Ordinance of the Ministry of Environment Protection, Natural Resources and Forestry of 3 August 1993 (Gazette No. 76, item 362) and the waste classified as group I and II - listed in Appendix 3 to the Ordinance of the Board of Ministers of 19 October 1995 (Gazette No. 153, item 775), stored separately or mixed with the waste mentioned in *passage 1*.

' 4

Storing at the ALandfill@ other wastes than those described in ' 2 and ' ' 3.1., 3.2 requires a written approval of the AMunicipality@ expressed in the form of an Annexe to this Contract.

' 5

1. Fine domestic waste is understood as the waste originated in connection with human existence, coming from apartments and houses, and the waste originated in connection with economic activities in such facilities as: offices, shops, catering facilities, etc., which are stored in stationary containers (e.g. food waste, waste paper, small-sized packaging, fuel residues, small objects, etc.).

2. Large domestic waste is understood as waste which even after fragmentation cannot be placed in standard containers because of its size or weight (e.g. old furniture, household appliances, boards, mattresses, etc.).

3. Other acceptable waste is understood as certain waste of groups III and IV (Gazette No. 140/94; item 772) accepted for storage by the Landfill Administrator.

' 6

The right to deliver and store the waste mentioned in '2 is vested in the authorized entities by virtue of the permit issued by the Mayor of the city of Bielsko-Biała on the basis of *Art. 7 passage 1* of the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September.

' 7

Detailed contracts concluded between the ALandfill Operator@ and AWaste Deliverers@ do not infringe the provisions of this Contract.

Rights and obligations of the Parties

' 8

1. The ALandfill Operator@ shall:

- a. keep a record of the quantity and type of waste accepted at the ALandfill@ in accordance with the classification adopted in '3.1., 3.2 and '4,
- b. ensure selective storage of waste with regard to:
 - preventing environmentally harmful reactions between waste components,
 - possibility of further utilization,
- c. maintain and operate the ALandfill@ in a way which ensures proper functioning of the equipment which is the property of the AMunicipality@, and observance of sanitary, fire, safety and industrial hygiene requirements as well as the environment protection rules,
- d. refuse to store at the ALandfill@ the waste specified in '3.3, and notify the AMunicipality@ and the provincial environment protection inspector of this fact,
- e. notify the AMunicipality@, at months' notice, of the imminent exhaustion of the capacity of the ALandfill@,
- f. keep a record of vehicles authorized to deliver waste to the ALandfill@, with the specification of vehicle license numbers, chassis and engine serial numbers, and their total maximum authorized payload which is consistent with the vehicle license,
- g. ensure continuous reception of waste specified in '2 at the ALandfill@ in the following hours:

C

C,

h. inspect whether AWaste Deliverers@ have the permits mentioned in ' 6,

i. transfer the collected payments mentioned in ' 17.3, payable at the cash desk of the ALandfill Operator@ into the account indicated by the AMunicipality@ until day of the next month,

j. issue invoices (or bills) on behalf of the AMunicipality@ to the AWaste Deliverers@,

k. draw up other documents required by the law, and the documentation connected with the management of the ALandfill@,

l. develop Landfill regulations within days from the date from signing this Contract, and present them to the AMunicipality@ for approval. The regulations shall be displayed in a place that is accessible to the AWaste Deliverers@.

' 9

The quantity of waste stored at the ALandfill@ shall be determined by the ALandfill Operator@ by means of adequate waste scales, and in case the scales are temporarily out of order on the basis of the data on the maximum authorized payload of the vehicles delivering waste.

' 10

Before signing this Contract the ALandfill Operator@ must obtain the permit mentioned in ' 6.

' 11

1. In order to fulfil the obligation contained in ' 8.a. the ALandfill Operator@ has the right to demand written information about the composition and origin of the delivered waste from AWaste Deliverers@. The information presented to the ALandfill Operator@ should, in particular, contain data on the physical and chemical composition of the waste delivered each time.

2. The ALandfill Operator@ is obliged to ensure, during each waste delivery, the presence of a qualified worker who can check the record contained in the information specified in *passage 1* against the actual waste delivery.

' 12

The ALandfill Operator@ shall ensure adequate technical condition of the ALandfill@ access roads and the tipping site.

' 13

In case of termination of the ALandfill@operation, the AMunicipality@ shall take into consideration, in the first place, a possibility of awarding the administration and operation of a new Landfill to the ALandfill Operator@, in accordance with ' 16 passage 1 of this Contract.

Supervision of the execution of the Contract¹

' 14

1. In order to ensure adequate fulfilment of this Contract the ALandfill Operator@ shall carry out the Contract with due diligence.
2. The AMunicipality@ has the right to control, at any time, the execution of the provisions of the Contract. The ALandfill Operator@ shall make all the documents connected with the inspection carried out available to the representatives of the AMunicipality@, upon their request.
3. The ALandfill Operator@ shall submit quarterly/half-yearly financial reports to the AMunicipality@. The report should contain a statement of actual expenditures incurred with relation to the activity specified in ' 2 and the income generated by it.
4. The ALandfill Operator@ shall bear full responsibility, on a general basis, if an inspection carried out by authorized state inspectors gives evidence of negligence or irregularities resulting from an activity or its relinquishment on the part of the ALandfill Operator@ within the scope defined in ' 1, which has caused or could have caused damage.

Settlements under the Contract. Contractual penalties

¹ It is suggested that the Municipality set up a special unit capable (in terms of both human resources and equipment) of carrying out such specialized inspections.

' 15

1. For the activities specified in '2 the ALandfill Operator@shall collect percent commission in the amount of% (+VAT) of the payments specified in *passage 3*, payable into the account of the ALandfill Operator@until day of the following month against the invoice issued by him. The invoices shall be issued by the ALandfill Operator@within days of the following month on the basis of a statement of invoices (bills) for payment, issued on behalf of the AMunicipality@for the receipt of waste.
2. The maximum amount of payments for the receipt of waste at the ALandfill@shall be set by the AMunicipality@.
3. Payments from AWaste Deliverers@for the receipt of waste at the Landfill@cannot be higher than those defined in *passage 2*. They shall be collected in cash at the cash desk of the ALandfill Operator@or paid by AWaste Deliverers@into the AMunicipality@account indicated in invoices (bills). The AMunicipality@authorizes the ALandfill Operator@to make out invoices (bills) for fees for the receipt of waste at the ALandfill@. The date of payment must not be longer than days from the date of the delivery of waste at the ALandfill@.
4. The maximum amount of payment, mentioned in *item 2*, is set by the AMunicipality@on the basis of:
 - a. a clear cost analysis of the ALandfill Operator@activities shown the Appendix No..... to this Contract,
 - b. the costs of closing down and reclaiming the ALandfill@after the termination of its operation.
5. In case the AMunicipality@decides to set the payment, mentioned in *passage 2*, at a lower level than the costs presented in *passage 4*, it is under an obligation to secure financial resources in the budget of the AMunicipality@necessary to cover the difference.
6. The ALandfill Operator@may apply to the AMunicipality@for an increase in the landfill fee. This, however, must be supported by a financial expertise and purposefulness.
7. Having analyzed the submitted documentation and heard the opinion presented by the ALandfill Operator@, the AMunicipality@may accept or reject the application.
8. The acceptance of the application results in making the decision mentioned in *passage 2*.

9. The application mentioned in *passage 6* must be submitted by the ALandfill Operator@ at the latest until 15 July of the year preceding the following budget year.

10. In case the ALandfill Operator@ fails to fulfil the provisions of the Contract, fulfils them improperly or due diligence, especially with regard to the duties specified in ' ' 2, 3, 4, 6, 7, 8, 9, 10, 11 *passage 2, 12*, he shall pay to the AMunicipality@ a penalty in the amount of

11. If, in the case presented in *passage 10* there is damage, then the ALandfill Operator@ is obliged to cover the damage in the full amount.

Duration of the Contract

' 16

1. The Contract is concluded for the period of 5 years, with the possibility of extending it for the next periods.

2. The Contract can be terminated by either party at months' notice, in writing.

3. The Contract can be terminated by the AMunicipality@ without observing the term of notice if the ALandfill Operator@ loses the permit mentioned in ' 6.

4. If, during the duration of the Contract, the AMunicipality@ is forced to close down the ALandfill@ due to the exhaustion of its capacity, or for any other important reason, the Contract is terminated as soon as the ALandfill@ is closed down.

5. The content of *passage 4* is not applicable (the Contract expires) in case there emerge the circumstances defined in ' 13, i.e. delimitation and establishment of a new Landfill, and awarding its administration to the ALandfill Operator@.

Final provisions

' 17

Any amendments to this Contract other than an annexe in writing shall be null and void.

' 18



All disputes arising out of the implementation of the provisions of this Contract shall be settled amicably, and if no agreement is reached, the dispute shall be settled by the court having jurisdiction on the territory on which the seat of the A Landfill Operator@ is located.

' 19

Any issues which are not settled by this Contract are subject to the provisions of the Civil Code and the Act on Maintenance of Order and Cleanliness in Municipalities of 13th September 1996.

' 20

The Contract has been executed in identical copies, copies for each party.

A LANDFILL OPERATOR@

A MUNICIPALITY@

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

.....
(first and last name of the signee)

Appendix No.
to the Contract No. , dated

DETAILED LIST OF WASTE

must be consistent with the list developed and included in the Ordinance of the Environment Protection Minister mentioned in ' 3.3., ***in the draft Waste Act the Environment Protection Minister's authority to issue a new Ordinance has been included in Art. 6.***

APPENDIX B

SAMPLE JOB DESCRIPTIONS FOR EMPLOYEES OF GMINA WHO WILL PROVIDE REGULATORY OVERSIGHT OF THE ENTERPRISES

POSITION DESCRIPTION

QUALITY CONTROL FINANCIAL ANALYST

General Description of the Position

This is a mid level position critical to the efficient operation of the city in its oversight of the ZOM and MZK Joint Stock Companies, and as such the employee of the position will in large part be responsible for monitoring the success of the Joint Stock Companies as they operate under the performance measures agreed to with the city under their service contracts. The employee in this position shall operate only under the supervision of the city economy department, and shall not be subject to direct orders from any city or Joint Stock Company official other than his or her direct superior, and only within the scope of duties as described herein.

The principal duties of this position are of a financial nature, with examples given below. As such, the employee of this position is not expected to measure the efficiency of the Joint Stock Companies in terms of service delivery. He or she is expected, however, to act as an effective internal auditor of financial performance standards as defined in service contracts, and from time to time to comment on the continued relevance of those standards. He or she is to suggest revisions where appropriate and in consultation with the head of the city economy department and the Joint Stock Companies, in conformance with best Polish financial practice at those times.

Scope of Responsibilities

The employee of the position will exercise considerable judgement in overseeing the financial quality control of the two Joint Stock Companies. Reports made by this position will be in written form and subject to all rules concerning public documents and financial audits. The responsibility level will be high and the position will be highly visible within city government and with the public.

The employee will devote full time to this set of duties, and will interact on a daily basis with employees of the Joint Stock Companies. Initiative in investigating financial conditions and reporting them in a comprehensive fashion is required. Use of forecasting techniques and the generation of financial trending reports will be necessary.

Examples of specific duties

1. Work closely with Joint Stock Companies to establish reporting instruments and frequency of reports for all financial performance indicators specified in the service agreements between the city and the Joint Stock Companies.

2. Gain an understanding of and stay current with service provision issues for both Joint Stock Companies, and work with them to refine existing financial performance indicators and measures.
3. Become expert in the overall financial condition of both Joint Stock Companies, and the types of information outside investors will need to analyze investment desirability and risk. Assist Joint Stock Company and other employees, as assigned, to develop the types of reporting techniques and financial documents (similar to simplified bond prospectuses) needed to further the attractiveness of the joint stock companies as investment prospects for public and private sector investors.
4. Aid in the development of unit cost measures for Joint Stock Company performance based on the suggested list of performance measurements outlined in the service agreements, such as ,for ZOM, cost per ton of waste removed, cost per entity served, tons of waste removed or number of street kilometers cleaned per day per employee. Verify the amounts of work performed and costs as broken down into constituent elements, and comment upon the budgetary sufficiency of each Joint Stock Company, as presented in its annual reports and draft budget requests to its board of directors. Report these findings through this position's supervisor, as information for the gmina council in its deliberations about financial support to the Joint Stock companies, and where appropriate, requested adjustments in fees or payments by the city.

Similar specific duties for the MZK unit cost measures, among them costs per route, costs per rider, unit costs broken down by labor, capital, fuel, and maintenance.

5. Reconcile expenditures against budgeted amounts, in detail. Develop and maintain a system for forecasting over expenditures, on a monthly or more frequent interval, and provide early warning to the supervisor when necessary.
6. Other relevant duties as assigned by the supervisor.

Knowledge, skills, and abilities required

1. Knowledge of generally accepted Polish cost accounting and fund accounting techniques. Post secondary educational in economics, finance, public administration, or financial analysis preferred.
2. Ability to work with computer - generated financial forecasting models and spreadsheet creation is desirable but may be learned on the job as these programs are refined citywide.

3. Working knowledge of solid waste collection and disposal, and the fundamental issues in bus transportation planning and operation are essential. Two years of experience in one or both fields is desirable, but may be substituted in part by structured training programs sponsored by the city.
4. Ability to administer a system of reconciling actual costs against budgeted amounts.
5. Ability to analyze income and expense statements without direct supervision.
6. Ability to set up and monitor systems for tracking performance indicators and measures for each Joint Stock Company.
7. Ability to work independently and to enter into a consultative process with the joint Stock Companies as to attainment of performance goals.

Position reports to

The Director of the city Economy Department

Position supervises

Clerical staff as assigned from time to time. Position coordinates closely with all field inspectors and the City Control Department.

POSITION DESCRIPTION

QUALITY CONTROL TECHNICAL ANALYST

General Description of the Position

This is a mid level position critical to the efficient operation of the city in its oversight of the ZOM and MZK Joint Stock Companies, and as such the employee of the position will in large part be responsible for monitoring the success of the Joint Stock Companies as they operate under the performance measures agreed to with the city under their service contracts. The employee in this position shall operate only under the supervision of the City Transportation Department, and shall not be subject to direct orders from any city or Joint Stock Company official other than his or her direct superior, and only within the scope of duties as described herein.

The principal duties of this position are of a technical nature, with examples given below. As such, the employee of this position is expected to measure the efficiency of the Joint Stock Companies in terms of service delivery and use of equipment and facilities. He or she is expected to act as an effective internal auditor of service performance standards as defined in service contracts, and from time to time to comment on the continued relevance of those standards. He or she is to suggest revisions where appropriate and in consultation with the head of the City Transportation Department and the Joint Stock Companies, in conformance with best Polish practice at those times.

Scope of Responsibilities

The employee of the position will exercise considerable judgement in overseeing the service and equipment quality control of the two Joint Stock Companies. Reports made by this position will be in written form and subject to all rules concerning public documents. The responsibility level will be high and the position will be highly visible within city government and with the public.

The employee will devote full time to this set of duties, and will interact as assigned with employees of the Joint Stock Companies. Initiative in investigating service provisions and the status of equipment and facilities, and reporting them in a comprehensive fashion, are required.

Examples of specific duties

1. Work closely with Joint Stock Companies to establish reporting instruments and frequency of reports for all service performance indicators specified in the service agreements between the city and the Joint Stock Companies.

2. Gain an understanding of and stay current with service provision issues for both Joint Stock Companies, and work with them to refine existing service performance indicators and measures.
3. Become expert in the overall programs and operations of both Joint Stock Companies, and the types of information outside investors will need to analyze investment desirability and risk. Assist Joint Stock Company and other employees, as assigned, to develop the types of reporting techniques and program descriptions needed to further the attractiveness of the joint stock companies as investment prospects for public and private sector investors.
4. Aid in the development of service effectiveness measures for each Joint Stock Company based on the suggested lists of performance measurements outlined in the service agreements.
5. Become expert in the provision of solid waste and bus transportation programs, and the equipment and maintenance programs of each Joint Stock Company. Be up to date on the types of vehicles, maintenance facilities, and methods of waste collection and disposal necessary to serve the city in a cost effective and competitive manner.

Review in detail all capital spending plans and individual equipment purchase requests for each Joint Stock Company. Offer advice and comments on each type of purchase proposed, and ensure that each Joint Stock Company is aware of the state of the art in equipment, technology, techniques, and personnel requirements for its major programs. Accomplish this by, as assigned, attending trade shows, reading trade journals, and meeting with sales representatives to discuss purchase options.

Also, meet with representatives of other municipal and voivodship governments and ascertain the types of equipment and techniques most likely to provide solid waste and bus transportation services in a cost effective manner. Investigate group purchasing arrangements to effect discounts for quantity purchases.

6. Review data produced by the two Joint Stock Companies as to service complaint resolution and suggestions for improved service. Verify that the information is collected systematically and analyzed on a sound basis. Offer advice to Joint Stock Companies on types of equipment or methods likely to insure cost effectiveness in making improvements or adjusting programs.
7. Carry out internal inspections and audits of equipment usage, condition, and maintenance practices. Verify service records for vehicles and make written reports as to their sufficiency.
8. Other relevant duties as assigned by the supervisor.

Knowledge, skills, and abilities required

1. Working knowledge of solid waste and transportation issues, program design and administration, equipment purchasing and maintenance. Two years in these or related areas preferred, but may in part be substituted by education on the job training.
2. Ability to conduct field audits and verify records through examining the condition of vehicles, equipment, and facilities.
3. Ability to interpret statistical surveys and analyses presented by Joint Stock Companies.
4. Independence of judgement, and ability to work without direct supervision in the field.
5. Working knowledge of capital planning principles.
6. Educational background in public works, mechanics, facilities management, or a related field preferred.
7. Ability to set up and monitor systems for tracking performance indicators and measures for each Joint Stock Company.
8. Ability to work independently and to enter into a consultative process with the joint Stock Companies as to attainment of performance goals.

Position reports to

The Director of the City Transportation Department

Position supervises

Clerical staff as assigned from time to time. Position coordinates closely with all field inspectors and the City Control Department.

POSITION DESCRIPTION PUBLIC RELATIONS/MARKETING FOR THE MZKSA

General Description of the Position

At this time the position has been defined in a preliminary way and a young man has been placed in it for the time being. The team and Jan Friedberg met with the temporary incumbent and went over his background and interests, and gathered from him and the Director a preliminary list of duties for a permanent position, and they are presented below:

1. Design and perform market surveys concerning the demand for transport services, analyze the results, and promote transport services within Bielsko-Biala.
2. Establish a working relationship with the local business enterprises and neighborhood councils to improve existing services and to consider establishing new routes.
3. Monitor services for errors and shortcomings in their design and execution.
4. Propose adjustments in bus schedules based on demand, data for this to be gathered from outreach, field investigations, and in-house analyses.
5. Measure bus ridership over time, and select bus capacities to match ridership patterns.
6. Introduce new programs and services to the community and proactively seek adjustments in services to changes in the physical and social environments.
7. Discuss with riders the possible changes in routes, occasional detours, and scheduling.
8. Develop a true service culture among employees through field audits and training programs.
9. Administer a complaints intake and resolution system for riders. Seek both negative and positive feedback.
10. Assume a leadership role in improving the image of the company and its employees as being truly service-oriented.

APPENDIX C

SAMPLE ACTION PLANS FOR ACCOMPLISHING LEGAL RESTRUCTURING AND ENTERPRISES

ACTION PLAN

coordinated by Task Force** Task Force to be appointed by deputy mayor, and to include selected workshop participants.

MUNICIPAL CLEANING ENTERPRISE ZOM

(as prepared by Workshop Participants 30 - 31 January 1997)

Action	Responsibility	Time
I. PRESENT RESULTS OF THIS WORKSHOP	LGPP team	07/02/97
II. ECONOMIC/FINANCIAL ANALYSIS	LGPP team and ZOM	31/03/97
III. PREPARATION OF RESOLUTION OF INTENT FOR CITY COUNCIL \$ providing solutions to issues arising under Public Procurement Act (application of legal code to procurement) \$ subsidy to ZOM	Executive Committee	15/04/97
IV. PASSING THE RESOLUTION OF INTENT \$ per cent of shares for ZOM employees should be established, \$ subsidy to ZOM - budgetary resolution	City Council	30/04/97
V. LEGAL PROCEEDINGS AND COMMERCIAL CODE FORMALITIES, among others: \$ charter \$ valuation \$ other Acts	Executive Committee and ZOM	30/06/97
VI. SOCIAL PROCEEDINGS: Consultations with: \$ trade unions + agreement \$ ZOM employees \$ public information	ZOM Board with possible support from Executive Committee	on-going 31/06/97
VII. PASSING THE FINAL RESOLUTION	Executive Committee and City Council	31/07/97
VIII. DRAFT SERVICE AGREEMENT BETWEEN THE MUNICIPALITY AND ZOM	Executive Committee and ZOM	31/08/97
IX. PROCUREMENT	Executive Committee	30/08/97
X. CONTRACT AWARD	City Council	30/09/97
XI. NEWLY OPERATING ZOM	ZOM	1/10/97

ACTION PLAN

coordinated by Task Force

** Task Force to be appointed by deputy mayor, and to include selected workshop participants.

MUNICIPAL PUBLIC TRANSPORT ENTERPRISE MZK

(as prepared by Workshop Participants 28 - 29 January 1997)

Action	Responsibility	Time
I. PRESENT RESULTS OF THIS WORKSHOP	LGPP team	07/02/97
II. ECONOMIC/FINANCIAL ANALYSIS	LGPP team and MZK	31/03/97
III. PREPARATION OF RESOLUTION OF INTENT FOR CITY COUNCIL providing solutions to issues arising under Public Procurement Act (application of legal code to procurement)	Executive Committee	15/04/97
IV. PASSING THE RESOLUTION OF INTENT percent of shares for MZK employees should be established, among others	City Council	30/04/97
V. LEGAL PROCEEDINGS AND COMMERCIAL CODE FORMALITIES, among others: \$ charter \$ valuation \$ other Acts	Executive Committee and MZK	30/06/97
VI. SOCIAL PROCEEDINGS: Consultations with: \$ trade unions + agreement \$ MZK employees \$ public information	MZK Board with possible support from Executive Committee	on-going 31/07/97
VII. PASSING THE FINAL RESOLUTION	Executive Committee and City Council	31/08/97
VIII. DRAFT SERVICE AGREEMENT BETWEEN THE MUNICIPALITY AND MZK	Executive Committee and MZK	30/09/97
IX. PROCUREMENT	Executive Committee	30/11/97
X. CONTRACT AWARD	City Council	15/01/98
XI. NEWLY OPERATING MZK	MZK	30/01/98

APPENDIX D

SAMPLE LEGAL DOCUMENTS NEEDED TO ACCOMPLISH LEGAL RESTRUCTURING OF ENTERPRISES

zom

**STATUTE
OF
MUNICIPAL DEPARTMENT OF SANITATION
(Zakład Oczyszczania Miasta)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

STATUTE

I. GENERAL PROVISIONS

' 1

- C The name of the Company is Zakład Oczyszczania Miasta w Bielsku-Białej Spółka Akcyjna.
- C The Company has the right to use the name 'ZOM Bielsko-Biała S.A.' -and a graphic symbol distinguishing this Company (trade-mark), as well as to translate the name of the Company into foreign languages.

' 2

The seat of the Company is the city of Bielsko-Biała.

' 3

The Company is created as the result of converting the budget establishment under the name of Zakład Oczyszczania Miasta w Bielsku-Białej, hereinafter called the 'Establishment'.

' 4

The founder of the Company is the Municipality of Bielsko-Biała.

' 5

- C The Company operates on the basis of the Commercial Code, of the Act about municipal economy of 20 December 1996.
- C In case there are no adequate provisions of the Statute, the regulations mentioned in passage 1 shall be applicable.

' 6

- C The Company operates on the territory of the Polish Republic.
- C The Company can create other companies, join other companies at home and abroad, and participate in other economic enterprises provided that those companies and those enterprises in their activities are not in conflict with the article 10 of the Act about municipal economy of 20 December 1996.

II. SCOPE OF THE COMPANY'S ACTIVITIES

' 7

The scope of the activities of the Company includes economic activity: service, manufacture, trade, building, mediation, cultural counseling, education, health and tourism, informatics, and the activities of a creative character in the understanding of the copyright law and patent law, research-development activities, and the implementation of scientific and technical progress, especially:

- B disposal of solid and fluid refuse,
- B neutralization of the disposed refuse and operation of waste dump,
- B elimination of illegal waste dumps and tidying up of green areas,
- B sweeping of the streets and pavements,
- and
- B activity in the area of commodity turnover at home and in foreign trade,
- B agency trade at home and abroad,
- B export of services and production as well as import for the needs of this activity,
- B purchase, processing and sale of :
 - C home-made and imported industrial articles,
 - C home-made and imported food-stuffs,
 - C home-made and imported reclaimed materials.
- B advertising,
- B marketing,
- B co-operation.

III. THE COMPANY'S CAPITAL

' 8

- C The company's equity capital corresponds with the total value of the Establishment's fund which has been fixed in the final balance of the Establishment, and it consists of :
 - a) stock capital,
 - b) reserve capital.
- C The stock capital amounts to PLN. The rest of the equity capital is reserve capital.
- C The stock capital is composed of shares, with the nominal value of each share beingPLN.
- C All shares mentioned in passage 3 of the present article belong, from the moment of converting the Establishment, to the Municipality of Bielsko-Biala.

- C The selling or pledging of the shares requires the consent of the Company, which is to be expressed in the resolution of the Executive Board* (General Meeting) of the Supervisory Board. The Company shall give consent for the shares to be sold or pledged within days from the date of being notified by the Shareholder of the intent to sell or pledge the shares.
- C If the Company does not give consent for the shares to be sold to the purchaser indicated by the selling Shareholder, then it should indicate other purchaser within days. Shares shall be sold to the purchaser indicated by the Company at the following price
- C The Shareholder-Municipality of Bielsko-Biaa- is obliged to increase the stock capital within the next 3 years according to the following schedule:
 - B in 1998 - 3,500,000.00 PLN
 - B in 1999 - 2,000,000.00 PLN
 - B in 2000 - 1,000,000.00 PLN
 The resources for this objective shall be secured in the budget of the Municipality of Bielsko-Biaa.

'9

- C The Company's shares mentioned in '8 are inscribed shares.
- C Inscribed shares can be exchanged for bearer shares and vice versa.
- C The Company can issue inscribed and bearer shares.
- C The shares of the first issue, held by the Company's Founder, are inscribed shares which are preferential with regard to the right to vote, dividend, take-over of the shares of the new issue, and the priority to be satisfied, in case the Company is liquidated, by means of using the Company's assets, and the preference is as follows:
 - a) preference share gives the right to five votes at the General Meeting,
 - b) preference share gives the right to preferential dividend in the highest amount specified in clause 359 ' 1 of the Commercial Code, and the right to obtain preferential dividend, not paid in the previous years, on the net profit for the last five years,
 - c) preference share gives the priority to obtain shares of a new issue, proportionally to the amount of shares held,
 - d) preference share has the priority when dividing the assets of the Company in case it is liquidated. The priority is based on the fact that first preference shares are paid off within the amounts paid out for each of them, and then common shares are paid off in the same way. Possible surplus of the assets shall be distributed between all shares on a general basis. When inscribed preference shares are sold, they lose their preferential character. A Shares of the next issues can be inscribed or bearer shares@.

IV. SELLING OF SHARES

' 10

The Municipality of Bielsko-Biala sells the shares, also to the Company's employees, in accordance with the regulations of the section IV of the Act about commercialization and privatization of state enterprises of 30 August 1996 and the Statute.

V. THE COMPANY'S AUTHORITIES

' 11

The authorities of the Company are:

- a) General Meeting
- b) Supervisory Board
- c) Executive Board

' 12

- c General Meeting can take two forms - ordinary and extraordinary.
- c General Meeting is convoked by the Company's Executive.
- c Extraordinary General Meeting is convened by the Company's Executive on its own initiative or at the request of The Supervisory Board or at the request of shareholders who represent at least 1/10 part of the stock capital.
- c Convocation of Extraordinary General Meeting at the request of The Supervisory Board or shareholders should take place within two weeks from the date submitting the request in writing.
- c The Supervisory Board has the right to convoke Ordinary General Meeting if it is not convoked by the Executive within the prescribed period, and Extraordinary General Meeting if it is not convoked by the Executive within the period specified in clause 4.

' 13

- c General Meeting takes place in the seat of the Company.
- c General Meeting can adopt resolutions irrespective of the number of shareholders present and shares represented, except for the situation when The Commercial Code requires the presence of shareholders who represent a specified part of stock capital.

' 14

Each share gives the right to one vote at the General Meeting.

' 15

- C The term of office of the Supervisory Board is 3 years, with the exception of the first Supervisory Board whose term of office is 1 year.
- C The Supervisory Board is composed of 5 to 10 members.

' 16

1. The Company's employees have the right to choose:
 - B two Members of the Supervisory Board if the Board consists of up to six Members,
 - B three Members of the Supervisory Board if the Board consists of seven to ten Members.

The other members of the Board are appointed and dismissed by the Executive of the Municipality of Bielsko-Biala.
2. Members of the Supervisory Board elected by the Company's employees are elected in direct, secret and general voting.
3. If there is a death, resignation or some other reason which may decrease the number of members of the Supervisory Board elected by employees, then a by-election is held among the employees, and this by-election is announced by the Supervisory Board within three weeks from the date of occurrence of such a need. Until the composition of the Supervisory Board elected by the Company's employees is completed, all the resolutions of the Board are valid.

' 17

- C The Chairman of the Supervisory Board, his Deputy and the Secretary are appointed and dismissed by the Shareholders' Meeting.
- C The Chairman of the Supervisory Board convenes its meetings not rarer than quarterly.
- C The Chairman of the Supervisory Board is obliged to convene the meeting of the Board at the demand of at least two members of the Board or the President of the Company's Executive, submitted in writing. The meeting should take place within two weeks from the date of submitting the request.
- C The first meeting of the newly-elected Supervisory Board is convened within 14 days from the date of the election of the Board, and this meeting is opened and presided over by the Chairman of the Supervisory Board of the previous term of office until a new chairman is elected.

' 18

- C The Members of the Supervisory Board can participate in the Board's meetings and perform their duties only in person.

- C The Regulations of the Supervisory Board specifying the Board's operating procedures are resolved by the General Meeting.
- C The Members of the Supervisory Board obtain remuneration in the amount and on the basis established by the General Meeting.

' 19

1. The scope of activity of the Supervisory Board is defined in the Commercial Code and in the Company's Statute.
2. The Supervisory Board exercises a constant supervision over all fields of activities of the Company.
3. Some of the special duties of the Board are:
 - a) checking balance sheet as well as loss and profit accounts,
 - b) checking an annual report of the Company's Executive,
 - c) investigation of the proposals of the Company's Executive about the division of profits and coverage of losses,
 - d) submission of an annual written report on the examination of the documents mentioned in points a-c to the General Meeting of Shareholders
 - e) convocation of a General Meeting in accordance with clause 393 ' 2 of the Commercial Code.
4. In order to perform the above-mentioned activities the Board can control each department of the Company, demand reports and explanations from the Executive and the Company's employees, inspect the assets, and check books and documents. While performing these activities the Board can use third parties that have special information.

' 20

Except for the competencies mentioned in ' 19 other competencies of the Supervisory Board are as follows:

- a)- suspending particular or all members of the Company's Executive for important reasons,
- b) delegating members of the Board to temporarily perform the activities of the Executive Members who cannot perform them,
- c) closing labor contracts with Members of the Executive, and establishing principles of remuneration and other terms of labor contract, or the contents and terms of contracts for managing the Company which are closed with the members of the Company's Executive. The agreements or contracts are signed by The President of the Board or other authorized member of the Board on behalf of the Supervisory Board,
- d) performing other activities which are connected with labor conditions and contracts of the members of the Company's Executive,
- e) delegating its members to carry out specific supervisory activities individually,
- f) selecting a chartered accountant and authorizing the Company's Executive to close contracts for auditing financial reports of the Company within the period which will enable

the chartered accountant to participate in the stock-taking of the major components of the property,

- g) investigating and giving opinions on the proposals which require the resolutions of the General Meeting of Shareholders and issues with which the Company's Executive will turn to and which are within the competence of the Board.

' 21

- c) The term of office of the Company's Executive is 3 years except for the first Executive when the term of office is 2 years.
- c) The Company's Executive is composed of 1 to 3 people, including the President of the Executive.
- 3. The Executive is appointed and dismissed by the General Meeting.

' 22

All the issues connected with the management of the Company which are not stipulated in the Commercial Code or the present Statute as being the competencies of the General Meeting or the Supervisory Board, are within the competence of the Executive.

' 23

Some of the major tasks of the Executive are:

- a) organization and management of the whole of the Company's activities in a way which ensures effective and rational functioning and development of the Company, obtaining more advantageous results of economic activities, and undertaking tasks aiming at the implementation of organizational-and-economic and technical progress in the Company's activities,
- b) development of annual economic and financial plans of the Company, and creation of adequate conditions for the implementation of the plans,
- c) development of the Company's regulations and implementation of an effective economic and financial system within the effective legal regulations,
- d) convening the General Meeting and ensuring that its resolutions are executed,
- e) keeping a minute-book of the Executive,
- f) keeping a record of inscribed shares and interim certificates,
- g) development of regulations and other internal legal acts of the Company.

' 24

- 1. The Executive of the Company headed by the President manages the Company and represents it outside.

2. Representation - making announcements and signing on behalf of the Company - is as follows:
 - a) the President of the Executive represents independently,
 - b) two other Members of the Executive represent together,
 - c) proxy represents independently -- issues within the limits of an ordinary executive.
3. Within the limits of an ordinary executive, mentioned in clause 2 c), the proxy can undertake the activities whose value does not exceed PLN, however he cannot independently contract and grant loans, close credit contracts, give guarantees, close hire contracts, lease contracts or similar contracts, draw or accept bills- irrespective of the contract's value.

VI. ECONOMY OF THE COMPANY

' 25

Organization of the Company is defined in the Organizational Regulations established by the Company's Executive.

' 26

- C The financial year of the Company fully overlaps the budget year of the Municipality, however, the first financial year commences on the day of registering the Company, and it terminates 31 December 1998.
- C Within three months from the end of the financial year the Executive of the Company prepares balance sheet, profit and loss account, and a written report on the Company's activities which are subsequently submitted to the Supervisory Board.

' 28

1. The Company forms the following capitals:
 - a) stock capital,
 - b) reserve capital ear-marked for covering balance losses.
2. The Company can create reserve capitals and other funds.

' 29

1. The net profit can be allocated in particular for:
 - a) allowance for reserve capital and other funds created by the Company,
 - b) investments,
 - c) dividend for shareholders,
 - d) other purposes specified by a resolution of the General Meeting.

2. The date of dividend payment is set and announced by the Company's Executive. The commencement of payments should take place not later than within two months from passing the resolution about the division of profits.

VII. FINAL PROVISIONS

' 30

- C The Company places its announcements in Monitor S•dowy and Monitor Gospodarczy.
- C Each announcement should also be hung in the seat of the Company in places easily accessible to all employees.
- C The Company which has been created as a result of a transformation takes over all the rights and obligations connected with the activities of a budget company.
- C The employees of the budget company that has been transformed into the Company, who are employed on the day of entering the Company in the Trade Register become, by law, the employees of the Company.

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**REGULATIONS
OF
THE SUPERVISORY BOARD
OF
MUNICIPAL DEPARTMENT OF SANITATION
(Zakład Oczyszczania Miasta)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

The Supervisory Board, hereinafter called the **ABOARD**, is a statutory supervisory body of the Company.

I. ORGANIZATION OF THE BOARD

' 2

- C The Board consists of 5 to 10 Members.
- C If the Board consists of up to 6 members, then two members of the Board are elected by the Company's employees. If the Board consists of 7 to 10 members, the Company's employees elect three members of the Board. Members of the Board are elected in direct, secret and general voting. The same procedure is employed in case of their dismissal.
- C The other members of the Board are appointed and dismissed by the Executive of the Municipality of Bielsko-Biala.
- C Individual members can be dismissed during their term of office, however, members who have been elected by the employees can be dismissed exclusively in accordance with the procedure mentioned in passage 2 at the proposal of the General Meeting.

' 3

1. The term of office of the Board is (except for the first one) three years.
2. The mandate of the Board's members expires on the day of convening Ordinary General Meeting which approves a report, balance sheet, as well as profit and loss account for the last year of the Board's being in office.
3. The mandate of a member expires before the end of the term of office in case of:
 - a) resignation submitted in writing by a member of the Board to the Chairman of the Board,
 - b) dismissal of a member or members,
 - c) decease of a member of the Board.
4. If the mandate of the Board's member expires, the Board of Directors holds by-election within three weeks from the day of the occurrence of such a need. Until the completion of the Board's composition, the resolutions of the Board are valid.
5. Members of the Board can be elected for the next term of office.

' 4

1. The Chairman of the Supervisory Board, his Deputy and the Secretary are appointed and dismissed by the Shareholders' Meeting.

2. The Chairman of the Board organizes and co-ordinates the work of the Board. Some of his special duties are:
 - a) convocation of the Board's meetings,
 - b) setting the date of the meetings and the agenda of the Board,
 - c) presiding over the Board's meetings,
 - d) supervision of a correct course of the meetings,
 - e) representing the Board outside,
 - f) co-ordination of the work of the Board's members within the limits of the delegation given by the Board,
 - g) keeping in permanent touch with the President of the Board, especially in case of the issues which are to be discussed during the sessions of the Board and the General Meeting,
 - h) supervision of the Board's documentation and correspondence, signing the documents which are sent outside the Company.
3. The tasks mentioned in passage 2 are performed by the Deputy Chairman in case he is appointed by the Chairman to perform them or when the Chairman is absent.
4. The Board elects the Secretary of the Board in order to relieve the Board's Chairman of keeping the documentation of the Board.
5. The term of office of the Chairman of the Board, his Deputy and the Secretary of the Board terminates on the day when the term of office of the Board ends, however, the Chairman of the outgoing Board convenes and opens the first meeting of the newly elected Board, and he presides over the meeting until a new Chairman is elected. If need be, the provisions of passage 3 are applied.

' 5

- C The Chairman of the Board, his Deputy and the Secretary of the Board can be dismissed by the Shareholders' Meeting.
- C The Chairman of the Board, his Deputy and the Secretary of the Board are elected from an unlimited number of candidates, whose names are placed on voting paper in alphabetical order.
- C The Chairman of the Board, his Deputy and the Secretary of the Board are elected or dismissed in a secret voting when there is an absolute majority of votes and at least 2/3 of the fixed members of the Board are present.
- C When the candidates for the Chairman, Deputy-Chairman and Secretary have not received a required number of votes in the first voting, the voting is repeated. In the second voting the number of candidates is limited to two candidates for each mandate post, that is those candidates who have received the biggest number of votes in the first voting. If in the second voting the candidates are not elected, the chairman orders a break. After the break the chairman orders that the candidates' names should be given and new election is held.

II. SCOPE OF ACTIVITY AND COMPETENCE OF THE BOARD

'6

- c The scope of activity of the Supervisory Board is defined in the Commercial Code and in the Company's Statute.
- c The Supervisory Board exercises a constant supervision over all fields of activities of the Company.
- c Some of the special duties of the Board are:
 - a) checking balance sheet as well as loss and profit accounts,
 - b) checking an annual report of the Company's Executive,
 - c) investigation of the proposals of the Company's Executive about the division of profits and coverage of losses,
 - d) submission of an annual written report on the examination of the documents mentioned in points a-c to the General Meeting of Shareholders
 - e) convocation of a General Meeting in accordance with clause 393 ' 2 of the Commercial Code.
- 4. In order to perform the above-mentioned activities the Board can control each department of the Company, demand reports and explanations from the Executive and the Company's employees, inspect the assets, and check books and documents. While performing these activities the Board can use third parties that have special information.

'7

Except for the competencies mentioned in ' 6 other competencies of the Supervisory Board are as follows:

- a) suspending particular or all members of the Company's Executive for important reasons,
- b) delegating members of the Board to temporarily perform the activities of the Executive Members who cannot perform them,
- c) closing labor contracts or other contracts with Members of the Executive, determining remuneration for the President of the Executive, and at his proposal, remuneration for the other members of the Executive. On behalf of the Board the contracts are signed by the Chairman of the Board or an appointed member of the Board.
- d) performing other activities which are connected with labor contracts of the members of the Company's Executive.
- e) delegating its members to carry out specific supervisory activities individually.

' 8

- C The Board elects the President of the Executive from an unlimited number of candidates nominated by the Board's Members. Candidates have to introduce themselves to the Board.
- C Particular members of the Executive are elected by the Board at the proposal of the Executive's President. When the candidate nominated by the President is voted down by the Board, the President has to announce a new candidature (new candidatures) (till the aim is reached) within 14 days from the date of rejecting his candidate.
- C The President or a member of the Executive are elected in accordance with ' 5 points 2,3,4.

' 9

- C The Supervisory Board can any time dismiss the whole Executive, the President of the Executive or a particular Member of the Executive.
- C If the President of the Executive is dismissed, the Board is obliged to elect a new President within the period of one month.
- C If a Member of the Executive is dismissed, the President of the Executive is obliged to introduce a candidate to the Board in order to complete the membership of the Executive.
- C Until the people mentioned in passage 2 and 3 are elected, the Board can delegate its Members to temporarily perform the functions of those Executive members who cannot do so.

' 10

The Board can suspend particular members of the Executive for important reasons (violation of the law, the Company's Statute, or acting against the Company's interests) for the period no longer than 3 months.

' 11

The Board's competence also includes:

- a) approval of the Regulations of the Executive of the Company,
- b) giving opinions and investigating the issues submitted to the Board by means the resolution of the General Meeting, and which are to be executed,
- c) giving opinions on and investigating the issues submitted to the Board by the Executive, or reported by the Board's members, legal persons or natural persons, when the issues are within the competence of the Board,
- d) investigating the implementation of the Company's development plans and programmes,
- e) monitoring the execution of the Board's and General Meeting's resolutions by the Executive of the Company.

' 12

- C The Board is obliged to submit reports on its activities at the Ordinary General Meeting.
- C The Board's report is presented at the General Meeting by the Chairman of the Board or by an appointed member.

' 13

- C The Board can delegate one or several of its members to perform particular supervisory activities individually.
- C The Board's resolution specifies whether the delegation is permanent or temporary, as well as what supervisory activities are connected with it.
- C The Board can, at any time, annul the above-mentioned delegation.
- C The Board shall immediately notify the Executive of granting or annulling delegation, and submit a relevant resolution.

III. SESSIONS OF THE BOARD

' 14

- C The Board has ordinary and extraordinary meetings.
- C An ordinary meeting is convened by the Chairman of the Board if need be, but at least once every three months. When the Chairman is absent, and there are matters of great urgency, meetings are convened by his Deputy.
- C The Chairman is obliged to convene an ordinary meeting at a written request of the Executive, or at least two Members of the Board, within 14 days from the date of submitting such a request.
- C A request for an extraordinary meeting should contain subject matter of the meeting. Those who submit a request for such a meeting have to present documents necessary for investigating their proposals (e.g. draft resolutions) or to indicate documents or issues which are to be discussed at the meeting.

' 15

- C The Board's Chairman establishes the agenda of the Board's meeting.
- C While establishing the agenda it is necessary to take into account the request of the Executive's President for placing particular issues on the agenda.
- C Every member of the Board can submit to the Board's Chairman a request for placing particular issues on the agenda of the Board's meeting.

- C The requests mentioned in passage 2 and 3 will be taken into account during the nearest meeting of the Board if they are submitted to the Chairman at least 7 days before the fixed date of the meeting. Provisions of ' 14 passage 4 are applicable.
- C The Board cannot extend the agenda given unless all members of the Board are present and nobody objects to this.

' 16

- C The Board's meetings are attended by the President of the Executive, employees of the Company appointed by the President in consultation with the Chairman of the Board to present reports, and other people invited.
- C The Chairman of the Board invites Shareholders (or other persons) whose matters (dismissals) are to be discussed at the Board's meeting. In case they or their procurators (if there are such) do not attend the meeting, the Board has the right to investigate the issues submitted by them without their presence.

' 17

- C The Chairman notifies the Board's Members, the President and people invited of an ordinary meeting of the Board at least 14 days, and of an extraordinary meeting at least 3 days before the fixed date.
- C At least 21 days before the fixed date of a meeting devoted to the investigation of the balance sheet, profit and loss account, annual report of the Executive, and the Executive's suggestions on the division of profits and coverage of losses, the Executive of the Company shall distribute adequate materials to the meeting's participants.

' 18

The Board can adjourn until some other time when the agenda has not been exhausted, when additional materials need to be submitted, or when there are other obstacles which make a correct investigation of issues impossible.

' 19

- C The Board's meetings take place in the seat of the Company's Executive.
- C The Chairman of the Board can, in consultation with other members of the Board, organize meetings outside the seat, especially when they are connected with inspections of their investments, factories, etc.

IV. VOTING

' 20

The Board investigates and decides about all issues that are within its competence in the form of resolutions.

' 21

1. The Board can pass binding resolutions if:
 - B all members of the Board have been properly informed about the date, agenda and place of the meeting,
 - B the meeting of the Board is attended by at least half of the Board's members.
2. Every member of the Board has one vote. When the number of votes is equal, the vote of the Chairman is decisive, and when he is absent - the vote of his Deputy.
3. The resolutions of the Board are passed in an open voting, with the exception of passage 4 of this article.
4. The secret voting takes place:
 - a) in case of elections, and in case of requests for a dismissal of the President, members of the Executive, Chairman and Deputy Chairman of the Board, or The Secretary of the Board,
 - b) in case of personal matters,
 - c) on the demand of at least one member of the Board.

' 22

- C The resolutions of the Board are passed by an absolute majority of votes of those present, unless the Bill, the Statute of the Company or the provisions of the present Regulations say otherwise.
- C The resolution is valid if there is a quorum formed during voting.
- C In case of an open voting quorum is the sum of the ayes, the noes and abstentions. In case of a secret voting quorum is the number of all voting papers cast which have been approved for voting.
- C The moment of voting is the period from the Chairman's announcement of the beginning of voting till the announcement of the voting results.

' 23

- C An open voting, with respect to the issues determined by the Bill or Statute, is conducted by show of hands.
- C Open voting is conducted by the Chairman.

- C Secret voting is conducted by means of voting papers, and the votes are valid if they are cast on voting papers prepared for a particular voting. The vote is not valid if the voter has placed on a voting paper more options (names) than the number established, if the voting paper is other than the approved one, or if the voting paper is completely torn.
- C Secret voting is conducted by a returning committee selected from among the members of the Board in an open voting. Members of a returning committee cannot offer their candidatures in an election which is to be the subject of the voting.
- C In case of personal matters each candidature is voted on separately.

' 24

- C After closing a discussion the chairman announces the beginning of the voting. From that time a member of the Board can rise to speak only to submit and justify his formal proposal, but before being asked to vote.
- C The order of voting on a draft resolution is as follows:
 - a) first the amendments to particular clauses (provisions) are put to the vote, especially when their approval can affect further changes,
 - b) then the draft resolution together with the approved amendments are put to the vote.
- 3. Upon the consent of the Board point 2a) is not applied.
- 4. The chairman can adjourn the voting on the whole draft resolution for the period which is necessary for stating whether, as a result of approved amendments, there is no contradiction between particular provisions.
- 5. After the voting the Chairman reads out its results and states whether the resolution is passed.

' 25

- 1. The resolution of the Board should contain:
 - B date and title,
 - B legal basis,
 - B description of tasks, and if need be, sources of financing them,
 - B specification of a body or person responsible for the execution of the resolution,
 - B the date the resolution becomes effective, and possible validity period,
 - B if need be, interim and repealing regulations.
- 2. The resolution is affixed with a number in order the resolution was passed (Arabic numeral) and the year of passing the resolution.
- 3. Resolutions are signed by the Chairman of the Board and the Secretary of the Board or the person taking the minutes.
- 4. Original copies of the resolutions are registered and kept together with the minutes of the meeting.
- 5. Copies of the resolutions are submitted to the Executive for implementation.

IV. DOCUMENTATION OF THE BOARD'S MEETINGS AND WORK

' 26

- C The meetings of the Board are currently recorded in the Board's minute-book. The minutes are taken by the Secretary of the Board or some other person appointed by the Chairman of the Board. The minutes can also be taken by a person from outside the Board, who is appointed by the Executive to service the Board's meetings.
- C The minutes of the Board's meetings do not contain the full course of the meetings and discussions. The minutes should contain information on whether the Board has been properly convened, whether the Board can make resolutions, the agenda, names and surnames of those who are present together with their signatures, facts about the absence of the Board's members from the meeting, a list of the resolutions made, number of votes cast for each resolution and objections made, as well as the events which cause the meeting to be adjourned, and the cases of disturbing the discipline at the meeting.
- C The minutes are attached with the documents which are the subject of the meeting (draft resolutions, reports, opinions, etc.) and other documents which are submitted to the Chairman during the meeting.
- C The minutes of the Board's meeting and the resolutions made by the Board are signed before the end of the meeting by all members of the Board who participate in such a meeting, and then the Chairman of the Board delivers the copies of these documents to all members of the Board.

' 27

The administrative and technical service of the Board's meetings is guaranteed by the Executive, which also appoints the Company's employees to prepare, or possibly participate in preparing, materials for the Board's meeting, to make copies or duplicates, to deliver materials to the members of the Board, etc.

V. RIGHTS AND DUTIES OF THE BOARD'S MEMBERS

' 28

- C Members of the Board perform their duties personally, and they cannot grant other persons full powers to perform the duties of the Board's member.
- C The member of the Board who cannot attend the Board's meeting is obliged to excuse his absence within the period of 7 days from the date of termination of the reason for such absence.

' 29

- C The Board acts collectively, i.e. a particular member of the Board cannot perform supervisory activities without a delegation.
- C A member of the Board who is authorized by the Board to perform supervisory activities has an access to all information connected with the Company's activities, including the information which is a state or professional secret. When the information is state or professional secret, such a member should be informed of this fact, and he is obliged to act in accordance with the effective regulations.
- 3. The rendering of a document accessible to the Board's member consists in:
 - a) submitting to him a required document without delay, and when this cannot be done immediately, on the third day from the date of submitting a request at the latest.
 - b) making, at the supervisor's request, an extract or a copy of the whole document, possibly Xerox copy.
- 4. The provisions of the point 2 b)*** do not refer to the matters which come within a state or professional secret.

' 30

- C Members of the Board obtain remuneration which is granted by the General Meeting, and which is expressed in a relevant resolution.
- C The costs connected with the Board's activities, mentioned in passage 1 are covered by the Company. Except for that, the Company also covers the costs connected with keeping the documentation of the Board, and the costs of organizing the Board's meetings and means of transportation, when they are necessary in order to make an inspection, supervision or other activities of the Board.

VI. FINAL PROVISIONS

' 31

The regulations of the Board can be altered by means of a resolution of the General Meeting which is made in accordance with the provisions of the Company's contract.

' 32

The regulations of the Commercial Code and the Company's Statute shall be applicable in case of the issues which are not governed by the present Regulations.

' 33

The present Regulations come into force on the day they are approved of by the General Meeting.

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**REGULATIONS
OF
THE EXECUTIVE BOARD
OF
MUNICIPAL DEPARTMENT OF SANITATION
(Zakład Oczyszczania Miasta)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

- C The Executive Board is an executive body of the Company, and its scope of activities includes all the issues which are not stipulated to be the competencies of the General Meeting and Supervisory Board, in accordance with the Commercial Code and the Statute of the Company.
- C The Executive Board is obliged to manage the assets and issues of the Company, and perform its duties with care required in the economic circulation, acting according to the Law, provisions of the Company's Statute and resolutions of the General Meeting and the Supervisory Board.

' 2

- C The Executive consists of 1 to 3 people, including the President of the Executive.
- C The President of the Executive is appointed by the Supervisory Board. At the proposal of the Executive's President the Supervisory Board appoints the other members of the Executive.
- C Members of the Executive are appointed by the Shareholders' Meeting.
- C The Supervisory Board closes labor contract and other contracts with the Members of the Executive, and establishes the principles of remunerating the Executive's members.

' 3

- C The Executive represents the Company outside.
- C The following people are authorized to make announcements, place signatures, make announcements about the rights and obligations connected with the Company's assets:
 - B the President of the Executive independently,
 - B two Members of the Executive together,
 - B proxy independently -- issues within the limits of an ordinary executive.
- C Proxy is appointed and dismissed by the Executive.
- C In order to perform activities of a particular type, the Executive can appoint procurators acting within the limits of their competencies.
- C Within the limits of an ordinary executive, mentioned in clause 2 c), the proxy can undertake the activities whose value does not exceed PLN, however he cannot independently contract and grant loans, close credit contracts, give guarantees, close hire contracts, lease contracts or similar contracts, draw or accept bills- irrespective of the contract's value.

' 4

Some of the main tasks of the Executive are:

- C organization and management of the whole of the Company's activities in a way which ensures effective and rational functioning and development of the Company, obtaining advantageous results of economic activities, and undertaking tasks aiming at the implementation of organizational-and-economic and technical progress in the Company's activities,
- C development of annual economic and financial plans of the Company, and creation of adequate conditions for the implementation of the plans, development of the Company's regulations and implementation of an effective economic and financial system within the effective legal regulations, and on the basis of the above-mentioned regulations,
- C convening the General Meeting and ensuring that its resolutions are executed,
- C keeping a minute-book of the Executive,
- C keeping a record of inscribed shares and interim certificates,
- C development of regulations and other internal legal acts of the Company.

' 5

- C The Executive is obliged, within 3 months after the end of the financial year, to make up and submit to the supervisory bodies the balance sheet as at the last day of the financial year (balance day), profit and loss account for the previous year, and a detailed written report on the Company's activities in this period.
- C These documents should be signed by all members of the Executive. Any refusal to sign them should be justified in writing.

' 6

- C The Executive convenes ordinary and extraordinary General Meetings.
- C The principles, procedures and fixed dates of convening the General Meeting are specified in the regulations of the Commercial Code and the provisions of the Company's Statute.

' 7

- C The Executive is obliged to notify the Register Court of the following events, so that they can be entered in the Trade Register:
 - a) change of the Company's Statute,
 - b) all changes in the data recorded in the register at the moment of setting up the Company,
 - c) increasing or decreasing the stock capital of the Company,
 - d) fusion of the Company and other company,

- C The Executive is obliged to submit to the register court, within two weeks after being approved by the General Meeting, the balance sheet, profit and loss account, and the Executive's report, as well as a copy of the General Meeting's resolution about this issue.
- C Members of the Executive, appointed as liquidators, are obliged to report the opening of liquidation to the trade register. After the termination of liquidation and approval of final accounts by the General Meeting, members of the Executive, as liquidators, are obliged to publish liquidation report and submit it to the register court, together with a request for crossing the Company off the trade register.
- C Notification of the circumstances which are obligatory to be entered in the trade register should take place within 2 weeks from the date of their occurrence.
- C All members of the Executive are responsible for correct making of declarations when setting up the Company and when increasing the stock capital.

'8

- C The sessions of the Executive take place if need be, but at least once every 14 days.
- C The session of the Executive is convened by the President of the Executive on his own initiative or at the request of at least one member of the Executive. In case of matters of great urgency, when the Executive's President is absent, the sessions of the Executive are convened by his deputy (Vice-President of the Executive).
The main duties of the Executive's President are:
 - a) management and co-ordination of the Executive's activities,
 - b) general management and co-ordination of the work referring to the preparation of materials for the sessions of the General Meeting,
 - c) maintenance of a permanent business contact with the Chairman of the Supervisory Board especially about the issues which are to be discussed during the sessions of the Board and the General Meeting.
- 3. At its sessions the Executive discusses the main issues of the Company.
Apart from that during the Executive's sessions individual members of the Executive present reports on current affairs which are within their competence, and they make proposals and suggestions about all issues, and give information about decisions made by them individually which go beyond their competence. In case their decisions are not approved, they are changed or annulled by the Executive.
- 4. The sessions of the Executive can be attended by persons invited by the Executive's President.
- 5. The resolutions of the Executive are recorded. The minutes should contain the agenda, names and surnames of the Executive's members who are present at the session, number of votes for particular resolutions and objections. The minutes are signed by those present and by the person taking the minutes.
- 6. In order to pass a resolution the presence of more than half the members of the Executive is required. Resolutions are passed by an absolute majority of votes of those who are

present. When there is no majority of votes, the vote of the Executive's Chairman is decisive. (The President of the Executive has two votes).

'9

The resolutions of the Executive are required in case of the issues which go beyond the competence of an ordinary Executive, especially:

- a) organizational regulations defining the organization of the Company,
- b) contracting of a credit,
- c) selling and purchasing of fixed property,
- d) purchasing and taking over of shares and contribution to companies or other entities, joining companies or other organizations and resigning from them,
- e) selling of fixed assets,
- f) making suggestions to the General Meeting about:
 - B division of profits and coverage of losses,
 - B change of the scope of activity of the Company,
 - B change of the Statute,
 - B increasing or decreasing of the stock capital,
 - B fusion, transformation, dissolution and liquidation of the Company,
 - B issue of bonds,
 - B selling and leasing of the company and a set of tangible and intangible components, which may form a separate company, instituting the right of use over it and selling of the Company's factory immovables,
 - B giving consent to the purchase of real property and equipment of permanent use for the Company, at the price exceeding 1/5 of the fixed stock capital, if the purchase would take place within 2 years from the date of registering the Company.

Suggestions mentioned in point f are submitted by the Executive to the General Meeting together with a written opinion of the Supervisory Board.

'10

- C In order to ensure an effective organization of the Company's economic activities and supervision of the implementation of the tasks in all areas of activity of the Company, the division of duties between particular members of the Executive has been established.
- C The President of the Executive is manager of the Company, who represents it outside, manages the Company in accordance with the Law, the Company's Statute and resolutions of the Company's authorities. The President of the Executive administers the Company, performs the activities relating to the labor law, and he, according to the labor code, acts as an employer.

His main duties are:

- a) general management and supervision of the Company's activities, working out of the aims of the Company's economic activities, its financial management, and working out as well as implementation of economic and financial plans relating to the financial management.
- b) management of the employment policy and making decisions about personnel management,
- c) social and vital questions of the employees,
- d) assurance that labor discipline is observed, state, official and professional secrets connected with the Company's activities are kept, and the activities relating to Poland's defensive system are performed,
- e) supervision of the management of the funds and resources existing in the Company,
- C Member of the Executive---Technical/Operating Director acts as a substitute for the President of the Executive when he is absent.
- C When a member of the Executive-- Technical/Operating Director cannot act as a substitute, the President of the Executive is replaced by a member of the Executive-- Economic/Finance Director.

' 11

A detailed organization and organizational subordination of particular units of the Company are presented in the organizational regulations, which are established by the Executive.

' 12

Members of the Executive are responsible to the authorities of the Company for the performance of the tasks specified in the present regulations.

- C Member of the Executive--- Technical/Operating Director, who manages the Company with respect to the current operating activity of a technical character, supervises:
 - a) all matters connected with technical service,
 - b) process of supplying materials,
 - c) organization and functional inspection in the technical department,
 - d) maintenance of an efficient and regular transport service on transport routes.
- C Member of the Executive--Economic/Finance Director supervises the performance of functions which result from the regulations about finance management, in particular:
 - a) correct keeping of the record of all entries/events connected with the economic activity of the Company,
 - b) current co-operation with banks and other entities with respect to the Company's finance policy,
 - c) settlement and exaction of liabilities and dues including taxes, ZUS (Social Insurance Institution) premiums,

- d) organization, co-ordination and inspection of correct making up and circulation of documents referring to e.g. remuneration and dues resulting from the labor contract,
- e) correct and punctual making up of the balance sheet, profit and loss account, and other reports required by the law with regard to the principles specified in the effective regulations,
- f) development of the principles of the Company's price policy,
- g) preparation of a wide range of economic-financial analyses.

' 13

- C The Supervisory Board has the right to suspend members of the Executive for important reasons. The Supervisory Board appoints its Member(s) to perform the functions of the Executive's Member, until the new Member(s) of the Executive is (are) elected by the Shareholders' Meeting.
- C The President, member of the Executive or the whole Executive can be dismissed by the Supervisory Board before the end of the term of office.

' 14

In case of a conflict between the Company's interests and the personal interests of a member of the Executive, his spouse, close relatives, relatives of up the second degree of relationship inclusive, member of the Executive is obliged to refrain from the participation in the settlement of such issues.

' 15

Member of the Executive cannot, without the Supervisory Board's consent, deal with competitive interests, nor be a partner or member of the authorities in a competitive company.

' 16

In contracts between the Company and the Members of the Executive, as well as in their disputes, the Company is represented by an appointed Member of the Supervisory Board or a procurator appointed by means of a resolution of the General Meeting.

' 17

- C Member of the Executive is responsible to the Company for any damage caused by an activity which is inconsistent with the Law or the provisions of the Company's Statute.
- C Member of the Executive should perform his duties with the greatest possible care, and he is responsible for damage caused by lack of such care.

' 18

If Members of the Executive have, deliberately or through negligence, given false information in their declaration by stating that the payments for shares, prescribed in the Statute, have been made, and that at the moment of registering the increased stock capital the transfer of non-financial contributions to the Company is guaranteed, then they are jointly with the Company responsible to the Company's creditors for the period of three years from the date of registering the increased stock capital of the Company.

' 19

Shareholders or third parties have the right to claim damages from the members of the Executive, who, by acting on behalf of the Company, have directly done such damage to them.

' 20

The regulations of the Executive can be changed by means of a resolution of the Company's Executive, which is to be approved by the Supervisory Board in accordance with ' 21 passage 3 of the Company's Statute.

' 21

The regulations of the Commercial Code and adequate regulations of other effective legal acts shall be applicable in case of the issues which are not governed by the present Regulations.

' 22

The Regulations come into force on the day they are approved by the Supervisory Board.

zom

**REGULATIONS
OF
THE GENERAL MEETING
OF
MUNICIPAL DEPARTMENT OF SANITATION
(Zakład Oczyszczania Miasta)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

General Meeting can take two forms - ordinary and extraordinary.

' 2

- C General Meeting is convoked by the Company's Executive.
- C Extraordinary General Meeting is convened by the Company's Executive on its own initiative or at the request of the Supervisory Board or at the request of shareholders who represent at least 1/10 part of the stock capital.
- C Convocation of Extraordinary General Meeting at the request of the Supervisory Board or shareholders should take place within two weeks from the date submitting the request in writing. If the Executive does not convene the Extraordinary General Meeting within this period, then it is convened by the Supervisory Board.

' 3

- C General Meeting takes place in the seat of the Company.
- C General Meeting can adopt resolutions irrespective of the number of shareholders present and shares represented, except for the situation when The Commercial Code requires the presence of shareholders who represent a specified part of stock capital.

' 4

- C The General Meeting is opened by the President of the Supervisory Board, or Deputy President when the President is absent.
- C The General Meeting elects its president.

' 5

Each share gives the right to one vote at the General Meeting.

' 6

The General Meeting makes resolutions about:

- C investigation and approval of a report, balance sheet, together with a profit and loss account for the previous year, and control of the duties performed by the management of the Company,
- C all decisions concerning claims for repairing damage that has been caused during creation of the Company, its management or supervision,
- C selling and leasing of the Company, and instituting the right to use it,
- C selling of the Company's real assets,

- C issue of bonds
- C contracts for purchasing real property and equipment of permanent use for the Company, at the price exceeding 1/5 of the paid stock capital, which are closed within 2 years from the date of registering the Company,
- C changes in the statute of the Company,
- C increasing or decreasing of the stock capital,
- C dissolution of the Company,
- C fusion of companies,
- C transformation of a Joint-Stock Company into a limited liability company,
- C election of the Supervisory Board and the Executive,
- C approval of the regulations of the Supervisory Board, and development of the regulations of the Partners' Meeting,
- C defining the principles of remunerating the members of the Supervisory Board,
- C approval of the Company's business plan for the next year.

' 7

The Partners' Meeting can also investigate other issues submitted by the Executive, The Supervisory Board, or members of the Supervisory Board elected from among the Company's employees.

' 8

- C The Partners' Meeting can make resolutions only about issues which are placed on the agenda.
- C The agenda is fixed by the Company's Executive.
- C The Supervisory Board and shareholders who represent 1/10 part of the stock capital can demand the placement of particular issues on the agenda of the nearest Partners' Meeting.

' 9

The regulations come into force on the day

mzk

**STATUTE
OF
MUNICIPAL TRANSPORTATION COMPANY
(Miejski Zakład Komunikacyjny)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

STATUTE

I. GENERAL PROVISIONS

' 1

- C The name of the Company is: Miejski Zakład Komunikacyjny w Bielsku-Białej Spółka Akcyjna.
- C The Company has the right to use the name 'MZK Bielsko-Biała S.A.' -and a graphic symbol distinguishing this Company (trade-mark), as well as to translate the name of the Company into foreign languages.

' 2

The seat of the Company is the city of Bielsko-Biała.

' 3

The Company is created as the result of converting the budget establishment under the name of Miejski Zakład Komunikacyjny w Bielsku-Białej, hereinafter called the 'Establishment'.

' 4

The founder of the Company is the Municipality of Bielsko-Biała.

' 5

- C The Company operates on the basis of the Commercial Code, of the Act about municipal economy of 20 December 1996.
- C In case there are no adequate provisions of the Statute, the regulations mentioned in passage 1 shall be applicable.

' 6

- C The Company operates on the territory of the Polish Republic.
- C The Company can create other companies, join other companies at home and abroad, and participate in other economic enterprises provided that those companies and those enterprises in their activities are not in conflict with the article 10 of the Act about municipal economy of 20 December 1996.

II. SCOPE OF THE COMPANY'S ACTIVITIES

' 7

The scope of the activities of the Company includes:

- C providing for the needs of the population in the Municipality of Bielsko-Biala with respect to the local passenger transport including the transport of disabled persons,
- C providing services relating to passenger transport and goods transport on the territory of the Republic of Poland,
- C providing services relating to the diagnosis, service and repair of motor vehicles, including guarantee diagnosis, service and repair,
- C making technical surveys of motor vehicles,
- C running a washing stand for motor vehicles,
- C running driving-licence courses,
- C performing research-development work in the field of transport,
- C advertising, providing advertising services,
- C manufacturing and reclaiming spare parts for motor vehicles,
- C sale of spare parts and accessories for motor vehicles,
- C hire of buses, grounds and business premises,
- C marketing activity in the area of transport,
- C sale of liquid fuels,
- C providing parking services for motor vehicles,
- C lease, hire, or similar services,
- C consulting, agency services,
- C construction activity.

III. THE COMPANY'S CAPITAL

' 8

- C The company's equity capital corresponds with the total value of the Establishment's fund which has been fixed in the final balance of the AEEstablishment@, and it consists of :
 - a) stock capital,
 - b) reserve capital.
- C The stock capital amounts to PLN. The rest of the equity capital is reserve capital.
- C The Shareholder - Municipality of Bielsko-Biala- is obliged to increase the stock capital annually by the amount which is necessary for:
 - a) covering of investment purchases,

- b) covering of the difference in the price of tickets: between the market price and the price fixed by the Executive of the Municipality. The resources for this objective shall be secured in the budget of the Municipality of Bielsko-Biała.
- c) The stock capital is composed of shares, with the nominal value of each share beingPLN.
- c) All shares mentioned in passage 3 of the present article belong, from the moment of converting the Establishment, to the Municipality of Bielsko-Biała.
- c) The selling or pledging of the shares requires the consent of the Company, which is to be expressed in the resolution of the Executive Board* (General Meeting) of the Supervisory Board. The Company shall give consent for the shares to be sold or pledged within days from the date of being notified by the Shareholder of the intent to sell or pledge the shares.
- c) If the Company does not give consent for the shares to be sold to the purchaser indicated by the selling Shareholder, then it should indicate other purchaser within days. Shares shall be sold to the purchaser indicated by the Company at the following price

'9

- c) The Company's shares mentioned in '8 are inscribed shares.
- c) Inscribed shares can be exchanged for bearer shares and vice versa.
- c) The Company can issue inscribed and bearer shares.
- c) The shares of the first issue, held by the Company's Founder, are inscribed shares which are preferential with regard to the right to vote, dividend, take-over of the shares of the new issue, and the priority to be satisfied, in case the Company is liquidated, by means of using the Company's assets, and the preference is as follows:
 - a) preference share gives the right to five votes at the General Meeting,
 - b) preference share gives the right to preferential dividend in the highest amount specified in clause 359 '1 of the Commercial Code, and the right to obtain preferential dividend, not paid in the previous years, on the net profit for the last five years,
 - c) preference share gives the priority to obtain shares of a new issue, proportionally to the amount of shares held,
 - d) preference share has the priority when dividing the assets of the Company in case it is liquidated. The priority is based on the fact that first preference shares are paid off within the amounts paid out for each of them, and then common shares are paid off in the same way. Possible surplus of the assets shall be distributed between all shares on a general basis. When inscribed preference shares are sold, they lose their preferential character. A Shares of the next issues can be inscribed or bearer shares@

IV. SELLING OF SHARES

' 10

The Municipality of Bielsko-Biala sells the shares, also to the Company's employees, in accordance with the regulations of the section IV of the Act about commercialization and privatization of state enterprises of 30 August 1996 and the Statute.

V. THE COMPANY'S AUTHORITIES

' 11

The authorities of the Company are:

- a) General Meeting
- b) Supervisory Board
- c) Executive Board

' 12

- c General Meeting can take two forms - ordinary and extraordinary.
- c General Meeting is convoked by the Company's Executive.
- c Extraordinary General Meeting is convened by the Company's Executive on its own initiative or at the request of The Supervisory Board or at the request of shareholders who represent at least 1/10 part of the stock capital.
- c Convocation of Extraordinary General Meeting at the request of The Supervisory Board or shareholders should take place within two weeks from the date submitting the request in writing.
- c The Supervisory Board has the right to convoke Ordinary General Meeting if it is not convoked by the Executive within the prescribed period, and Extraordinary General Meeting if it is not convoked by the Executive within the period specified in clause 4.

' 13

- c General Meeting takes place in the seat of the Company.
- c General Meeting can adopt resolutions irrespective of the number of shareholders present and shares represented, except for the situation when The Commercial Code requires the presence of shareholders who represent a specified part of stock capital.

' 14

Each share gives the right to one vote at the General Meeting.

' 15

- C The term of office of the Supervisory Board is 3 years, with the exception of the first Supervisory Board whose term of office is 1 year.
- C The Supervisory Board is composed of 5 to 10 members.

' 16

- C The Company's employees have the right to choose:
 - B two Members of the Supervisory Board if the Board consists of up to six Members,
 - B three Members of the Supervisory Board if the Board consists of seven to ten Members.

The other members of the Board are appointed and dismissed by the Executive of the Municipality of Bielsko-Biala.
- C Members of the Supervisory Board elected by the Company's employees are elected in direct, secret and general voting.
- C If there is a death, resignation or some other reason which may decrease the number of members of the Supervisory Board elected by employees, then a by-election is held among the employees, and this by-election is announced by the Supervisory Board within three weeks from the date of occurrence of such a need. Until the composition of the Supervisory Board elected by the Company's employees is completed, all the resolutions of the Board are valid.

' 17

- C The Chairman of the Supervisory Board, his Deputy and the Secretary are appointed and dismissed by the Shareholders' Meeting.
- C The Chairman of the Supervisory Board convenes its meetings not rarer than quarterly.
- C The Chairman of the Supervisory Board is obliged to convene the meeting of the Board at the demand of at least two members of the Board or the President of the Company's Executive, submitted in writing. The meeting should take place within two weeks from the date of submitting the request.
- C The first meeting of the newly-elected Supervisory Board is convened within 14 days from the date of the election of the Board, and this meeting is opened and presided over by the Chairman of the Supervisory Board of the previous term of office until a new chairman is elected.

' 18

- C The Members of the Supervisory Board can participate in the Board's meetings and perform their duties only in person.

- C The Regulations of the Supervisory Board specifying the Board's operating procedures are resolved by the General Meeting.
- C The Members of the Supervisory Board obtain remuneration in the amount and on the basis established by the General Meeting.

' 19

- C The scope of activity of the Supervisory Board is defined in the Commercial Code and in the Company's Statute.
- C The Supervisory Board exercises a constant supervision over all fields of activities of the Company.
- C Some of the special duties of the Board are:
 - a) checking balance sheet as well as loss and profit accounts,
 - b) checking an annual report of the Company's Executive,
 - c) investigation of the proposals of the Company's Executive about the division of profits and coverage of losses,
 - d) submission of an annual written report on the examination of the documents mentioned in points a-c to the General Meeting of Shareholders
 - e) convocation of a General Meeting in accordance with clause 393 ' 2 of the Commercial Code.
- 4. In order to perform the above-mentioned activities the Board can control each department of the Company, demand reports and explanations from the Executive and the Company's employees, inspect the assets, and check books and documents. While performing these activities the Board can use third parties that have special information.

' 20

Except for the competencies mentioned in ' 19 other competencies of the Supervisory Board are as follows:

- a) suspending particular or all members of the Company's Executive for important reasons,
- b) delegating members of the Board to temporarily perform the activities of the Executive Members who cannot perform them,
- c) closing labor contracts with Members of the Executive, and establishing principles of remuneration and other terms of labor contract, or the contents and terms of contracts for managing the Company which are closed with the members of the Company's Executive. The agreements or contracts are signed by The President of the Board or other authorized member of the Board on behalf of the Supervisory Board,
- d) performing other activities which are connected with labor conditions and contracts of the members of the Company's Executive,
- e) delegating its members to carry out specific supervisory activities individually,
- f) selecting a chartered accountant and authorizing the Company's Executive to close contracts for auditing financial reports of the Company within the period which will enable

- the chartered accountant to participate in the stock-taking of the major components of the property,
- g) investigating and giving opinions on the proposals which require the resolutions of the General Meeting of Shareholders and issues with which the Company's Executive will turn to and which are within the competence of the Board.

' 21

- c) The term of office of the Company's Executive is 3 years except for the first Executive when the term of office is 2 years.
- c) The Company's Executive is composed of 1 to 3 people, including the President of the Executive.
- c) The Executive is appointed and dismissed by the General Meeting.

' 22

All the issues connected with the management of the Company which are not stipulated in the Commercial Code or the present Statute as being the competencies of the General Meeting or the Supervisory Board, are within the competence of the Executive.

' 23

Some of the major tasks of the Executive are:

- a) organization and management of the whole of the Company's activities in a way which ensures effective and rational functioning and development of the Company, obtaining more advantageous results of economic activities, and undertaking tasks aiming at the implementation of organizational-and-economic and technical progress in the Company's activities,
- b) development of annual economic and financial plans of the Company, and creation of adequate conditions for the implementation of the plans,
- c) development of the Company's regulations and implementation of an effective economic and financial system within the effective legal regulations,
- d) convening the General Meeting and ensuring that its resolutions are executed,
- e) keeping a minute-book of the Executive,
- f) keeping a record of inscribed shares and interim certificates,
- g) development of regulations and other internal legal acts of the Company.

' 24

- c) The Executive of the Company headed by the President manages the Company and represents it outside.

- c Representation - making announcements and signing on behalf of the Company - is as follows:
 - a) the President of the Executive represents independently,
 - b) two other Members of the Executive represent together,
 - c) proxy represents independently -- issues within the limits of an ordinary executive.
- c Within the limits of an ordinary executive, mentioned in clause 2 c), the proxy can undertake the activities whose value does not exceed PLN, however he cannot independently contract and grant loans, close credit contracts, give guarantees, close hire contracts, lease contracts or similar contracts, draw or accept bills- irrespective of the contract's value.

VI. ECONOMY OF THE COMPANY

' 25

Organization of the Company is defined in the Organizational Regulations established by the Company's Executive.

' 26

- c The financial year of the Company fully overlaps the budget year of the Municipality, however, the first financial year commences on the day of registering the Company, and it terminates 31 December 1998.
- c Within three months from the end of the financial year the Executive of the Company prepares balance sheet, profit and loss account, and a written report on the Company's activities which are subsequently submitted to the Supervisory Board.

' 28

- 1. The Company forms the following capitals:
 - a) stock capital,
 - b) reserve capital ear-marked for covering balance losses.
- 2. The Company can create reserve capitals and other funds.

' 29

- 1. The net profit can be allocated in particular for:
 - a) allowance for reserve capital and other funds created by the Company,
 - b) investments,
 - c) dividend for shareholders,
 - d) other purposes specified by a resolution of the General Meeting.

2. The date of dividend payment is set and announced by the Company's Executive. The commencement of payments should take place not later than within two months from passing the resolution about the division of profits.

VII. FINAL PROVISIONS

' 30

- C The Company places its announcements in Monitor S•dowy and Monitor Gospodarczy.
- C Each announcement should also be hung in the seat of the Company in places easily accessible to all employees.
- C The Company which has been created as a result of a transformation takes over all the rights and obligations connected with the activities of a budget company.
- C The employees of the budget company that has been transformed into the Company, who are employed on the day of entering the Company in the Trade Register become, by law, the employees of the Company.

mzk

**REGULATIONS
OF
THE EXECUTIVE BOARD
OF
MUNICIPAL TRANSPORTATION COMPANY
(Miejski Zakład Komunikacyjny S.A.)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

- a. The Executive Board is an executive body of the Company, and its scope of activities includes all the issues which are not stipulated to be the competencies of the General Meeting and Supervisory Board, in accordance with the Commercial Code and the Statute of the Company.
- b. The Executive Board is obliged to manage the assets and issues of the Company, and perform its duties with care required in the economic circulation, acting according to the Law, provisions of the Company's Statute and resolutions of the General Meeting and the Supervisory Board.

' 2

- a. The Executive consists of 1 to 3 people, including the President of the Executive.
- b. The President of the Executive is appointed by the Supervisory Board. At the proposal of the Executive's President the Supervisory Board appoints the other members of the Executive.
- c. Members of the Executive are appointed by the Shareholders' Meeting.
- d. The Supervisory Board closes labor contract and other contracts with the Members of the Executive, and establishes the principles of remunerating the Executive's members.

' 3

- a. The Executive represents the Company outside.
- b. The following people are authorized to make announcements, place signatures, make announcements about the rights and obligations connected with the Company's assets:
 - B the President of the Executive independently,
 - B two Members of the Executive together,
 - B proxy independently -- issues within the limits of an ordinary executive.
- c. Proxy is appointed and dismissed by the Executive.
- d. In order to perform activities of a particular type, the Executive can appoint procurators acting within the limits of their competencies.
- e. Within the limits of an ordinary executive, mentioned in clause 2 c), the proxy can undertake the activities whose value does not exceed PLN, however he cannot independently contract and grant loans, close credit contracts, give guarantees, close hire contracts, lease contracts or similar contracts, draw or accept bills- irrespective of the contract's value.

' 4

Some of the main tasks of the Executive are:

- a. organization and management of the whole of the Company's activities in a way which ensures effective and rational functioning and development of the Company, obtaining advantageous results of economic activities, and undertaking tasks aiming at the implementation of organizational-and-economic and technical progress in the Company's activities,
- b. development of annual economic and financial plans of the Company, and creation of adequate conditions for the implementation of the plans,
- c. development of the Company's regulations and implementation of an effective economic and financial system within the effective legal regulations, and on the basis of the above-mentioned regulations,
- d. convening the General Meeting and ensuring that its resolutions are executed,
- e. keeping a minute-book of the Executive,
- f. keeping a record of inscribed shares and interim certificates,
- g. development of regulations and other internal legal acts of the Company.

' 5

- a. The Executive is obliged, within 3 months after the end of the financial year, to make up and submit to the supervisory bodies the balance sheet as at the last day of the financial year (balance day), profit and loss account for the previous year, and a detailed written report on the Company's activities in this period.
- b. These documents should be signed by all members of the Executive. Any refusal to sign them should be justified in writing.

' 6

- a. The Executive convenes ordinary and extraordinary General Meetings.
- b. The principles, procedures and fixed dates of convening the General Meeting are specified in the regulations of the Commercial Code and the provisions of the Company's Statute.

' 7

- a. The Executive is obliged to notify the Register Court of the following events, so that they can be entered in the Trade Register:
 - a) change of the Company's Statute,
 - b) all changes in the data recorded in the register at the moment of setting up
 - c) the Company,
 - d) increasing or decreasing the stock capital of the Company,

- e) fusion of the Company and other company,
- b. The Executive is obliged to submit to the register court, within two weeks after being approved by the General Meeting, the balance sheet, profit and loss account, and the Executive's report, as well as a copy of the General Meeting's resolution about this issue.
- c. Members of the Executive, appointed as liquidators, are obliged to report the opening of liquidation to the trade register. After the termination of liquidation and approval of final accounts by the General Meeting, members of the Executive, as liquidators, are obliged to publish liquidation report and submit it to the register court, together with a request for crossing the Company off the trade register.
- d. Notification of the circumstances which are obligatory to be entered in the trade register should take place within 2 weeks from the date of their occurrence.
- e. All members of the Executive are responsible for correct making of declarations when setting up the Company and when increasing the stock capital.

' 8

- a. The sessions of the Executive take place if need be, but at least once every 14 days.
- b. The session of the Executive is convened by the President of the Executive on his own initiative or at the request of at least one member of the Executive. In case of matters of great urgency, when the Executive's President is absent, the sessions of the Executive are convened by his deputy (Vice-President of the Executive).
The main duties of the Executive's President are:
 - a) management and co-ordination of the Executive's activities,
 - b) general management and co-ordination of the work referring to the preparation of materials for the sessions of the General Meeting,
 - c) maintenance of a permanent business contact with the Chairman of the Supervisory Board especially about the issues which are to be discussed during the sessions of the Board and the General Meeting.
- c. At its sessions the Executive discusses the main issues of the Company. Apart from that during the Executive's sessions individual members of the Executive present reports on current affairs which are within their competence, and they make proposals and suggestions about all issues, and give information about decisions made by them individually which go beyond their competence. In case their decisions are not approved, they are changed or annulled by the Executive.
- d. The sessions of the Executive can be attended by persons invited by the Executive's President.
- e. The resolutions of the Executive are recorded. The minutes should contain the agenda, names and surnames of the Executive's members who are present at the session, number of votes for particular resolutions and objections. The minutes are signed by those present and by the person taking the minutes.
- f. In order to pass a resolution the presence of more than half the members of the Executive is required. Resolutions are passed by an absolute majority of votes of those who are

present. When there is no majority of votes, the vote of the Executive's Chairman is decisive. (The President of the Executive has two votes).

' 9

The resolutions of the Executive are required in case of the issues which go beyond the competence of an ordinary Executive, especially:

- a) organizational regulations defining the organization of the Company,
- b) contracting of a credit,
- c) selling and purchasing of fixed property,
- d) purchasing and taking over of shares and contribution to companies or other entities, joining companies or other organizations and resigning from them,
- e) selling of fixed assets,
- f) making suggestions to the General Meeting about:
 - B division of profits and coverage of losses,
 - B change of the scope of activity of the Company,
 - B change of the Statute,
 - B increasing or decreasing of the stock capital,
 - B fusion, transformation, dissolution and liquidation of the Company,
 - B issue of bonds,
 - B selling and leasing of the company and a set of tangible and intangible components, which may form a separate company, instituting the right of use over it and selling of the Company's factory immovables,
 - B giving consent to the purchase of real property and equipment of permanent use for the Company, at the price exceeding 1/5 of the fixed stock capital, if the purchase would take place within 2 years from the date of registering the Company.

Suggestions mentioned in point f are submitted by the Executive to the General Meeting together with a written opinion of the Supervisory Board.

' 10

- a. In order to ensure an effective organization of the Company's economic activities and supervision of the implementation of the tasks in all areas of activity of the Company, the division of duties between particular members of the Executive has been established.
- b. The President of the Executive is manager of the Company, who represents it outside, manages the Company in accordance with the Law, the Company's Statute and resolutions of the Company's authorities. The President of the Executive administers the Company, performs the activities relating to the labor law, and he, according to the labor code, acts as an employer.

His main duties are:

- a) general management and supervision of the Company's activities, working out of the aims of the Company's economic activities, its financial management, and working out as well as implementation of economic and financial plans relating to the financial management.
- b) management of the employment policy and making decisions about personnel management,
- c) social and vital questions of the employees,
- d) assurance that labor discipline is observed, state, official and professional secrets connected with the Company's activities are kept, and the activities relating to Poland's defensive system are performed,
- e) supervision of the management of the funds and resources existing in the Company,
- c. Member of the Executive ---Technical/Operating Director acts as a substitute for the President of the Executive when he is absent.
- d. When a member of the Executive -- Technical/Operating Director cannot act as a substitute, the President of the Executive is replaced by a member of the Executive-- Economic/Finance Director.

' 11

A detailed organization and organizational subordination of particular units of the Company are presented in the organizational regulations, which are established by the Executive.

' 12

Members of the Executive are responsible to the authorities of the Company for the performance of the tasks specified in the present regulations.

- a. Member of the Executive---Technical/Operating Director, who manages the Company with respect to the current operating activity of a technical character, supervises:
 - a) all matters connected with technical service,
 - b) process of supplying materials,
 - c) organization and functional inspection in the technical department,
 - d) maintenance of an efficient and regular transport service on transport routes.
- b. Member of the Executive--- Economic/Finance Director supervises the performance of functions which result from the regulations about finance management, in particular:
 - correct keeping of the record of all entries/events connected with the economic activity of the Company,
 - current co-operation with banks and other entities with respect to the Company's finance policy,
 - settlement and exaction of liabilities and dues including taxes, ZUS (Social Insurance Institution) premiums,

- organization, co-ordination and inspection of correct making up and circulation of documents referring to e.g. remuneration and dues resulting from the labor contract,
- correct and punctual making up of the balance sheet, profit and loss account, and other reports required by the law with regard to the principles specified in the effective regulations,
- development of the principles of the Company's price policy,
- preparation of a wide range of economic-financial analyses.

' 13

- a. The Supervisory Board has the right to suspend members of the Executive for important reasons. The Supervisory Board appoints its Member(s) to perform the functions of the Executive's Member, until the new Member(s) of the Executive is (are) elected by the Shareholders' Meeting.
- b. The President, member of the Executive or the whole Executive can be dismissed by the Supervisory Board before the end of the term of office.

' 14

In case of a conflict between the Company's interests and the personal interests of a member of the Executive, his spouse, close relatives, relatives of up to the second degree of relationship inclusive, member of the Executive is obliged to refrain from the participation in the settlement of such issues.

' 15

Member of the Executive cannot, without the Supervisory Board's consent, deal with competitive interests, nor be a partner or member of the authorities in a competitive company.

' 16

In contracts between the Company and the Members of the Executive, as well as in their disputes, the Company is represented by an appointed Member of the Supervisory Board or a procurator appointed by means of a resolution of the General Meeting.

' 17

- a. Member of the Executive is responsible to the Company for any damage caused by an activity which is inconsistent with the Law or the provisions of the Company's Statute.
- b. Member of the Executive should perform his duties with the greatest possible care, and he is responsible for damage caused by lack of such care.

' 18

If Members of the Executive have, deliberately or through negligence, given false information in their declaration by stating that the payments for shares, prescribed in the Statute, have been made, and that at the moment of registering the increased stock capital the transfer of non-financial contributions to the Company is guaranteed, then they are jointly with the Company responsible to the Company's creditors for the period of three years from the date of registering the increased stock capital of the Company.

' 19

Shareholders or third parties have the right to claim damages from the members of the Executive, who, by acting on behalf of the Company, have directly done such damage to them.

' 20

The regulations of the Executive can be changed by means of a resolution of the Company's Executive, which is to be approved by the Supervisory Board in accordance with ' 21 passage 3 of the Company's Statute.

' 21

The regulations of the Commercial Code and adequate regulations of other effective legal acts shall be applicable in case of the issues which are not governed by the present Regulations.

' 22

The Regulations come into force on the day they are approved by the Supervisory Board.

mzk

**REGULATIONS
OF
THE SUPERVISORY BOARD
OF
MUNICIPAL TRANSPORTATION COMPANY
(Miejski Zakład Komunikacyjny)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

The Supervisory Board, hereinafter called the Board, is a statutory supervisory body of the Company.

I. ORGANIZATION OF THE BOARD

' 2

- C The Board consists of 5 to 10 Members.
- C If the Board consists of up to 6 members, then two members of the Board are elected by the Company's employees. If the Board consists of 7 to 10 members, the Company's employees elect three members of the Board. Members of the Board are elected in direct, secret and general voting. The same procedure is employed in case of their dismissal.
- C The other members of the Board are appointed and dismissed by the Executive of the municipality of Bielsko-Biala.
- C Individual members can be dismissed during their term of office, however, members who have been elected by the employees can be dismissed exclusively in accordance with the procedure mentioned in passage 2 at the proposal of the General Meeting.

' 3

- C The term of office of the Board is (except for the first one) three years.
- C The mandate of the Board's members expires on the day of convening Ordinary General Meeting which approves a report, balance sheet, as well as profit and loss account for the last year of the Board's being in office.
- C The mandate of a member expires before the end of the term of office in case of:
 - a) resignation submitted in writing by a member of the Board to the Chairman of the Board,
 - b) dismissal of a member or members,
 - c) decease of a member of the Board.
- C If the mandate of the Board's member expires, the Supervisory Board holds by-election within three weeks from the day of the occurrence of such a need. Until the completion of the Board's composition, the resolutions of the Board are valid.
- C Members of the Board can be elected for the next term of office.

' 4

- C The Chairman of the Supervisory Board, his Deputy and the Secretary are appointed and dismissed by the Shareholders' Meeting.

- C The Chairman of the Board organizes and co-ordinates the work of the Board. Some of his special duties are:
 - a) convocation of the Board's meetings,
 - b) setting the date of the meetings and the agenda of the Board,
 - c) presiding over the Board's meetings,
 - d) supervision of a correct course of the meetings,
 - e) representing the Board outside,
 - f) co-ordination of the work of the Board's members within the limits of the delegation given by the Board,
 - g) keeping in permanent touch with the President of the Board, especially in case of the issues which are to be discussed during the sessions of the Board and the General Meeting,
 - h) supervision of the Board's documentation and correspondence, signing the documents which are sent outside the Company.
- C The tasks mentioned in passage 2 are performed by the Deputy Chairman in case he is appointed by the Chairman to perform them or when the Chairman is absent.
- C The Board elects the Secretary of the Board in order to relieve the Board's Chairman of keeping the documentation of the Board.
- C The term of office of the Chairman of the Board, his Deputy and the Secretary of the Board terminates on the day when the term of office of the Board ends, however, the Chairman of the outgoing Board convenes and opens the first meeting of the newly elected Board, and he presides over the meeting until a new Chairman is elected. If need be, the provisions of passage 3 are applied.

'5

- C The Chairman of the Board, his Deputy and the Secretary of the Board can be dismissed by the Shareholders' Meeting.
- C The Chairman of the Board, his Deputy and the Secretary of the Board are elected from an unlimited number of candidates, whose names are placed on voting paper in alphabetical order.
- C The Chairman of the Board, his Deputy and the Secretary of the Board are elected or dismissed in a secret voting when there is an absolute majority of votes and at least 2/3 of the fixed members of the Board are present.
- C When the candidates for the Chairman, Deputy-Chairman and Secretary have not received a required number of votes in the first voting, the voting is repeated. In the second voting the number of candidates is limited to two candidates for each mandate post, that is those candidates who have received the biggest number of votes in the first voting. If in the second voting the candidates are not elected, the chairman orders a break. After the break the chairman orders that the candidates names should be given and new election is held.

II. SCOPE OF ACTIVITY AND COMPETENCE OF THE BOARD

' 6

- C The scope of activity of the Supervisory Board is defined in the Commercial Code and in the Company's Statute.
- C The Supervisory Board exercises a constant supervision over all fields of activities of the Company.
- C Some of the special duties of the Board are:
 - a) checking balance sheet and loss and profit accounts,
 - b) checking an annual report of the Company's Executive,
 - c) investigation of the proposals of the Company's Executive about the division of profits and coverage of losses,
 - d) submission of an annual written report on the examination of the documents mentioned in points a-c to the General Meeting of Shareholders
 - e) convocation of a General Meeting in accordance with clause 393 ' 2 of the Commercial Code.
- C In order to perform the above-mentioned activities the Board can control each department of the Company, demand reports and explanations from the Executive and the Company's employees, inspect the assets, and check books and documents. While performing these activities the Board can use third parties that have special information.

' 7

Except for the competencies mentioned in ' 6 other competencies of the Supervisory Board are as follows:

- a. suspending particular or all members of the Company's Executive for important reasons,
- b. delegating members of the Board to temporarily perform the activities of the Executive Members who cannot perform them,
- c. closing labor contracts or other contracts with Members of the Executive, determining remuneration for the President of the Executive, and at his proposal, remuneration for the other members of the Executive. On behalf of the Board the contracts are signed by the Chairman of the Board or an appointed member of the Board.
- d. performing other activities which are connected with labor contracts of the members of the Company's Executive.
- e. delegating its members to carry out specific supervisory activities individually.

' 8

- C The Board elects the President of the Executive from an unlimited number of candidates nominated by the Board's Members. Candidates have to introduce themselves to the Board.
- C Particular members of the Executive are elected by the Board at the proposal of the Executive's President. When the candidate nominated by the President is voted down by the Board, the President has to announce a new candidature (new candidatures) (till the aim is reached) within 14 days from the date of rejecting his candidate.
- C The President or a member of the Executive are elected in accordance with ' 5 points 2,3,4.

' 9

- C The Supervisory Board can any time dismiss the whole Executive, the President of the Executive or a particular Member of the Executive.
- C If the President of the Executive is dismissed, the Board is obliged to elect a new President within the period of one month.
- C If a Member of the Executive is dismissed, the President of the Executive is obliged to introduce a candidate to the Board in order to complete the membership of the Executive.
- C Until the people mentioned in passage 2 and 3 are elected, the Board can delegate its Members to temporarily perform the functions of those Executive members who cannot do so.

' 10

The Board can suspend particular members of the Executive for important reasons (violation of the law, the Company's Statute, or acting against the Company's interests) for the period no longer than 3 months.

' 11

The Board's competence also includes:

- a. approval of the Regulations of the Executive of the Company,
- b. giving opinions on and investigating the issues submitted to the Board by means of the resolution of the General Meeting, and which are to be executed,
- c. giving opinions on and investigating the issues submitted to the Board by the Executive, or reported by the Board's members, legal persons or natural persons, when the issues are within the competence of the Board,
- d. investigating the implementation of the Company's development plans and programmes,
- e. monitoring the execution of the Board's and General Meeting's resolutions by the Executive of the Company.

' 12

- C The Board is obliged to submit reports on its activities at the Ordinary General Meeting.
- C The Board's report is presented at the General Meeting by the Chairman of the Board or by an appointed member.

' 13

- C The Board can delegate one or several of its members to perform particular supervisory activities individually.
- C The Board's resolution specifies whether the delegation is permanent or temporary, as well as what supervisory activities are connected with it.
- C The Board can, at any time, annul the above-mentioned delegation.
- C The Board shall immediately notify the Executive of granting or annulling delegation, and submit a relevant resolution.

III. SESSIONS OF THE BOARD

' 14

- C The Board has ordinary and extraordinary meetings.
- C An ordinary meeting is convened by the Chairman of the Board if need be, but at least once every three months. When the Chairman is absent, and there are matters of great urgency, meetings are convened by his Deputy.
- C The Chairman is obliged to convene an ordinary meeting at a written request of the Executive, or at least two Members of the Board, within 14 days from the date of submitting such a request.
- C A request for an extraordinary meeting should contain subject matter of the meeting. Those who submit a request for such a meeting have to present documents necessary for investigating their proposals (e.g. draft resolutions) or to indicate documents or issues which are to be discussed at the meeting.

' 15

- C The Board's Chairman establishes the agenda of the Board's meeting.
- C While establishing the agenda it is necessary to take into account the request of the Executive's President for placing particular issues on the agenda.
- C Every member of the Board can submit to the Board's Chairman a request for placing particular issues on the agenda of the Board's meeting.

- C The requests mentioned in passage 2 and 3 will be taken into account during the nearest meeting of the Board if they are submitted to the Chairman at least 7 days before the fixed date of the meeting. Provisions of ' 14 passage 4 are applicable.
- C The Board cannot extend the agenda given unless all members of the Board are present and nobody objects to this.

' 16

- C The Board's meetings are attended by the President of the Executive, employees of the Company appointed by the President in consultation with the Chairman of the Board to present reports, and other people invited.
- C The Chairman of the Board invites Shareholders (or other persons) whose matters (dismissals) are to be discussed at the Board's meeting. In case they or their procurators (if there are such) do not attend the meeting, the Board has the right to investigate the issues submitted by them without their presence.

' 17

- C The Chairman notifies the Board's Members, the President and people invited of an ordinary meeting of the Board at least 14 days, and of an extraordinary meeting at least 3 days before the fixed date.
- C At least 21 days before the fixed date of a meeting devoted to the investigation of the balance sheet, profit and loss account, annual report of the Executive, and the Executive's suggestions on the division of profits and coverage of losses, the Executive of the Company shall distribute adequate materials to the meeting's participants.

' 18

The Board can adjourn until some other time when the agenda has not been exhausted, when additional materials need to be submitted, or when there are other obstacles which make a correct investigation of issues impossible.

' 19

- C The Board's meetings take place in the seat of the Company's Executive.
- C The Chairman of the Board can, in consultation with other members of the Board, organize meetings outside the seat, especially when they are connected with inspections of their investments, factories, etc.

IV. VOTING

' 20

The Board investigates and decides about all issues that are within its competence in the form of resolutions.

' 21

- C The Board can pass binding resolutions if:
 - B all members of the Board have been properly informed about the date, agenda and place of the meeting,
 - B the meeting of the Board is attended by at least half of the Board's members.
- C Every member of the Board has one vote. When the number of votes is equal, the vote of the Chairman is decisive, and when he is absent - the vote of his Deputy.
- C The resolutions of the Board are passed in an open voting, with the exception of passage 4 of this article.
- C The secret voting takes place:
 - a) in case of elections, and in case of requests for a dismissal of the President, members of the Executive, Chairman and Deputy Chairman of the Board or the Secretary of the Board,
 - b) in case of personal matters,
 - c) on the demand of at least one member of the Board.

' 22

- C The resolutions of the Board are passed by an absolute majority of votes of those present, unless the Bill, the Statute of the Company or the provisions of the present Regulations say otherwise.
- C The resolution is valid if there is a quorum formed during voting.
- C In case of an open voting quorum is the sum of the ayes, the noes and abstentions. In case of a secret voting quorum is the number of all voting papers cast which have been approved for voting.
- C The moment of voting is the period from the Chairman's announcement of the beginning of voting till the announcement of the voting results.

' 23

- C An open voting, with respect to the issues determined by the Bill or Statute, is conducted by show of hands.
- C Open voting is conducted by the Chairman.
- C Secret voting is conducted by means of voting papers, and the votes are valid if they are cast on voting papers prepared for a particular voting. The vote is not valid if the voter has placed on a voting paper more options (names) than the number established, if the voting paper is other than the approved one, or if the voting paper is completely torn.

- C Secret voting is conducted by a returning committee selected from among the members of the Board in an open voting. Members of the committee cannot offer their candidatures in an election which is to be the subject of the voting.
- C In case of personal matters each candidature is voted on separately.

' 24

- C After closing a discussion the chairman announces the beginning of the voting. From that time a member of the Board can rise to speak only to submit and justify his formal proposal, but before being asked to vote.
- C The order of voting on a draft resolution is as follows:
 - a) first the amendments to particular clauses (provisions) are put to the vote, especially when their approval can affect further changes,
 - b) then the draft resolution together with the approved amendments are put to the vote.
- C Upon the consent of the Board point 2a) is not applied.
- C The chairman can adjourn the voting on the whole draft resolution for the period which is necessary for stating whether, as a result of approved amendments, there is no contradiction between particular provisions.
- C After the voting the Chairman reads out its results and states whether the resolution is passed.

' 25

- C The resolution of the Board should contain:
 - B date and title,
 - B legal basis,
 - B description of tasks, and if need be, sources of financing them,
 - B specification of a body or person responsible for the execution of the resolution,
 - B the date the resolution becomes effective, and possible validity period,
 - B if need be, interim and repealing regulations.
- C The resolution is affixed with a number in order the resolution was passed (Arabic numeral) and the year of passing the resolution.
- C Resolutions are signed by the Chairman of the Board and the Secretary of the Board or the person taking the minutes.
- C Original copies of the resolutions are registered and kept together with the minutes of the meeting.
- C Copies of the resolutions are submitted to the Executive for implementation.

IV. DOCUMENTATION OF THE BOARD'S MEETINGS AND WORK

' 26

- C The meetings of the Board are currently recorded in the Board's minute-book. The minutes are taken by the Secretary of the Board or some other person appointed by the Chairman of the Board. The minutes can also be taken by a person from outside the Board, who is appointed by the Executive to service the Board's meetings.
- C The minutes of the Board's meetings do not contain the full course of the meetings and discussions. The minutes should contain information on whether the Board has been properly convened, whether the Board can make resolutions, the agenda, names and surnames of those who are present together with their signatures, facts about the absence of the Board's members from the meeting, a list of the resolutions made, number of votes cast for each resolution and objections made, as well as the events which cause the meeting to be adjourned, and the cases of disturbing the discipline at the meeting.
- C The minutes are attached with the documents which are the subject of the meeting (draft resolutions, reports, opinions, etc.) and other documents which are submitted to the Chairman during the meeting.
- C The minutes of the Board's meeting and the resolutions made by the Board are signed before the end of the meeting by all members of the Board who participate in such a meeting, and then the Chairman of the Board delivers the copies of these documents to all members of the Board.

' 27

The administrative and technical service of the Board's meetings is guaranteed by the Executive, which also appoints the Company's employees to prepare, or possibly participate in preparing, materials for the Board's meeting, to make copies or duplicates, to deliver materials to the members of the Board, etc.

V. RIGHTS AND DUTIES OF THE BOARD'S MEMBERS

' 28

- C Members of the Board perform their duties personally, and they cannot grant other persons full powers to perform the duties of the Board's member.
- C The member of the Board who cannot attend the Board's meeting is obliged to excuse his absence within the period of 7 days from the date of termination of the reason for such absence.

' 29

- C The Board acts collectively, i.e. a particular member of the Board cannot perform supervisory activities without a delegation.
- C A member of the Board who is authorized by the Board to perform supervisory activities has an access to all information connected with the Company's activities, including the information which is a state or professional secret. When the information is state or professional secret, such a member should be informed of this fact, and he is obliged to act in accordance with the effective regulations.
- C The rendering of a document accessible to the Board's member consists in :
 - a) submitting to him a required document without delay, and when this cannot be done immediately, on the third day from the date of submitting a request at the latest.
 - b) making, at the supervisor's request, an extract or a copy of the whole document, possibly Xerox copy.
- C The provisions of the point 2 b)*** do not refer to the matters which come within a state or professional secret.

' 30

- C Members of the Board obtain remuneration which is granted by the General Meeting, and which is expressed in a relevant resolution.
- C The costs connected with the Board's activities, mentioned in passage 1 are covered by the Company. Except for that, the Company also covers the costs connected with keeping the documentation of the Board, and the costs of organizing the Board's meetings and means of transportation, when they are necessary in order to make an inspection, supervision or other activities of the Board.

VI. FINAL PROVISIONS

' 31

The regulations of the Board can be altered by means of a resolution of the General Meeting which is made in accordance with the provisions of the Company's contract.

' 32

The regulations of the Commercial Code and the Company's Statute shall be applicable in case of the issues which are not governed by the present Regulations.

' 33

The present Regulations come into force on the day they are approved of by the General Meeting.

mzk

**REGULATIONS
OF
THE GENERAL MEETING
OF
MUNICIPAL TRANSPORTATION COMPANY
(Miejski Zakład Komunikacyjny)
JOINT-STOCK COMPANY
IN BIELSKO-BIAŁA**

valid from the day

' 1

General Meeting can take two forms - ordinary and extraordinary.

' 2

- C General Meeting is convoked by the Company's Executive.
- C Extraordinary General Meeting is convened by the Company's Executive on its own initiative or at the request of The Supervisory Board or at the request of shareholders who represent at least 1/10 part of the stock capital.
- C Convocation of Extraordinary General Meeting at the request of The Supervisory Board or shareholders should take place within two weeks from the date submitting the request in writing. If the Executive does not convene the Extraordinary General Meeting within this period, then it is convened by the Supervisory Board.

' 3

- C General Meeting takes place in the seat of the Company.
- C General Meeting can adopt resolutions irrespective of the number of shareholders present and shares represented, except for the situation when The Commercial Code requires the presence of shareholders who represent a specified part of stock capital.

' 4

- C The General Meeting is opened by the President of the Supervisory Board, or Deputy President when the President is absent.
- C The General Meeting elects its president.

' 5

Each share gives the right to one vote at the General Meeting.

' 6

The General Meeting makes resolutions about:

- C investigation and approval of a report, balance sheet, together with a profit and loss account for the previous year, and control of the duties performed by the management of the Company,
- C all decisions concerning claims for repairing damage that has been caused during creation of the Company, its management or supervision,
- C selling and leasing of the Company, and instituting the right to use it,
- C selling of the Company's real assets,

- C issue of bonds
- C contracts for purchasing real property and equipment of permanent use for the Company, at the price exceeding 1/5 of the paid stock capital, which are closed within 2 years from the date of registering the Company,
- C changes in the statute of the Company,
- C increasing or decreasing of the stock capital,
- C dissolution of the Company,
- C fusion of companies,
- C transformation of a Joint-Stock Company into a limited liability company,
- C election of the Supervisory Board and the Executive,
- C approval of the regulations of the Supervisory Board, and development of the regulations of the Partners' Meeting,
- C defining the principles of remunerating the members of the Supervisory Board,
- C approval of the Company's business plan for the next year.

' 7

The Partners' Meeting can also investigate other issues submitted by the Executive, The Supervisory Board, or members of the Supervisory Board elected from among the Company's employees.

' 8

- C The Partners' Meeting can make resolutions only about issues which are placed on the agenda.
- C The agenda is fixed by the Company's Executive.
- C The Supervisory Board and shareholders who represent 1/10 part of the stock capital can demand the placement of particular issues on the agenda of the next Partners' Meeting.

' 9

The regulations come into force on the day

APPENDIX E

SAMPLE PLAN FOR COMMUNICATING WITH EMPLOYEES, CUSTOMERS AND OTHER PARTIES AFFECTED BY OR INTERESTED IN ENTERPRISE RESTRUCTURING

INTRODUCTION

Bielsko - Biala has undergone a lengthy process of preparing two departments - the MZK bus transportation company and ZOM, the city cleaning and waste disposal company - for transformation to joint stock company status (ASA designation). In order to gain the support of the Gmina Council to act upon the Deputy Mayor's request for transforming these two departments and committing to the very substantial financial investments that will be necessary to sustain the first several years of ZOMSA operations, and indefinitely for MZKSA, as semi-independent enterprises, a very comprehensive information dissemination program has been developed for stakeholders, as described below.

This program seeks to overcome what are anticipated as major concerns facing the decision makers of any Polish city wishing to consider joint stock company status for any of its departments. Some of those concerns will be truly substantial, and others will be minor in substance but great in political impact if there are insufficient answers to be found and disseminated effectively and on a timely basis. Resistance to change is a given in any city, and generally the opponents of change will capitalize upon any instance of uninformed leadership as all parties try to work with a complex set of restructuring issues.

Moreover, the fledgling joint stock companies may face resistance from various stakeholder groups, if, after surviving a Gmina Council approval vote, the new entities present a poor public image in terms of having a clear mission within the city service provision community. Employee unions, citizen interest groups, political parties, ecological organizations, and the customer population may lend only lukewarm support, or even overtly oppose, increased management independence for the joint stock companies. In the long run such opposition may cause the JSCs to fail altogether, or in the short run to fail to receive financial support from the Gmina Council.

General concerns that an effective communications program must deal with effectively include:

- ! For the Gmina Council:
 - C A public perception of loss of Council control of the budget process and oversight of operations.
 - C A perceived and a real decrease in the importance of the Council as a guardian of the public interest because of its once-removed role in overseeing two vital operating departments.
 - C A loss of political capital because Councilors will no longer be able to take credit for two well run and highly visible departments.

! For the employees:

- C A fear of layoffs and the possibility of more work for the same number of employees as the enterprises grow in scope, equipment, etc.
- C A fear of changes in working conditions by a newly empowered enterprise manager, the most feared change being an increase in work hours.

! For the customers of the enterprises:

- C A concern that services will be arbitrarily reduced without the direct oversight of the Council
- C A concern that the fees for services will lose city support (subsidies) and rise too rapidly

This report is prepared as a part of company action program, but some aspects of work to be done by the City Executive Board and Municipal Office are also raised. The main constraint for the report is that the two companies have not yet prepared and implemented a development program in coordination with the city development plan, based on local sectoral policy. So the report shows only a set of aspects to be included in a communication and information program, but sectoral programming should be prepared before launching a wider reform process.

The January workshop concerning these restructurings included discussions on having the two enterprises brought more into the overall planning and development processes of the city, in that growth policies and land use decision made by the city government will greatly affect the size and makeup of the future joint stock companies, and conversely, the ability of the two enterprises to adapt to service demands will have an effect on the city's ability to attract new industry and residents.

MAIN PARTIES TO THE PROCESS

The City

According to the Polish Local Government Act two administrative and political bodies are involved in the process of company restructuring:

- ! The city executive board is responsible for negotiations and the preparation of draft documents (contracts, transferring properties into assets or other forms of giving them over for into company disposition).
- ! The city council decides on the type of company(ies) to be formed, and has control over how city properties are to be owned (by the council or by the JSCs)
- ! The executive board signs legal documents (contracts, licenses, leasing/renting), and then oversees the implementation process.

The main role of the city is to prepare and take decisions and also provide political support for the whole process by:

- ! Taking all political and administrative decisions by both bodies - city council and executive board.
- ! Giving full explanations to all potentially involved parties on new legal and economic proposals.
- ! Preparing legal documents.
- ! Providing coherent and full information to the general public.
- ! Offering incentives and guarantees on city benefit policies for management and employees.

Top Management of the Joint Stock Companies

In other cities where restructurings have taken place, JSC boards have had to decide on the appointment process for the JSC directors, whether to retain the previous directors or to hire new ones based on a competitive process. This is a management decision for the new boards, and the single most important one facing them. The reason that this issue is mentioned in this report on communications is that the competitive process, if that is the chosen route, should be discussed fully prior to the full implementation of the restructuring(s), and the qualifications for the positions and the selection process should be made known to the city in general. While the JSC boards will not have been constituted prior to the restructurings, the city as controlling or sole stock holder should deal with the criteria for the management selection issue fully and in open session.

In other jurisdictions top managers are sometimes engaged at a high level of pay and held to rigorous standards of performance. Tenure is based strictly on performance in those instances, and the turnover level can be high.

Whatever managers are chosen or retained, they should assume leadership of the communications programs for their respective JSCs, and they should be given training in effective live presentation specifically to disseminate information on the following key JSC issues:

- ! The JSC business plan, including capital investment levels, methods for trending revenue needs and resultant fee levels, and the levels of service to be provided under optimum financial conditions
- ! The role which the JSC plays in the city's overall plans for transportation improvements and solid waste management, in order to have an impact on those planning decisions
- ! The benefits to be realized by the general public and by the employees of each JSC.
- ! The Vision[®] of the JSC, both in terms of a new customer orientation and an entrepreneurial approach which will solidify the image of the JSCs as being freed from traditional constraints and able to expand and improve with no major negative effects on the clients, the employees, or the city in general.

Unions and Employee Organizations

Both JSCs will have unions representing the employees, with formally-adopted labor contracts (ZOM now has only an unwritten Gentlemen's agreement[®] with the city). Also, as part owners of each JSC, employees will by law form associations with significant powers.

The management of the JSCs will therefore need to carry on a dialogue with the employees and their representatives not only episodically, as employment agreements come up for negotiation, but continuously, as employees enjoy a heightened ability to influence policy making, and as partial owners, the bottom line.

Managers of the JSCs should consider the employee representatives as resources to aid in their efforts to expand services and possibly service areas. Yet in order to bring in the representatives and to benefit from their active cooperation in expanding the scope and nature of the JSCs, the managers will need to convince them that the new status of the enterprises offers opportunities that far outweigh the perceived disadvantages, such as the perceived threat of layoffs due to new efficiency mandates.

Management will need to be creative as to the offering of new salary and fringe benefits in order to form a solid dialogue with employee groups, and will need an effective

communications device to forestall harmful rumors about impending changes in working conditions, layoffs, etc.

Local Media

In Bielsko - Biala there are two local radio stations, two newspapers (as supplements to national papers), and also there two a regional TV stations (public and private). This seems to be adequate for possible news dissemination, provided that the restructurings and the resultant changes in service levels get the attention of the reporters and editors. Under the new press freedom in Poland there will be less opportunity to manage the press and more of a need to vie for coverage as world news and feature stories about non-governmental issues begin to take up more space every day.

Both JSCs will have public relations staff to form working relationships with local reporters. Those PR staff will be required to come up with innovative methods, such as timely press releases, human interest stories related to their enterprises, and information about new services being offered or contemplated, in order to reach the public through media no longer solely owned by the government.

MEASURES OF INFORMATION AND COMMUNICATION

Official Statements

From an administrative point of view the beginning of all transformation processes is the issuance of official statements announcing or clarifying acts of law. While easily understood by public officials with experience in drafting and lobbying for statutes and ministry decrees, these descriptions of changes in legal status and/or operating procedures will need to be interpreted for general consumption (as are job descriptions for new positions to be funded, for example).

Such decisions and descriptions should be issued by the appropriate city authorities, but in most instances not before they have been vetted by the public relations officers of the JSCs, and in some cases by the employee representatives.

In that new laws and regulations affecting the employees of the JSCs, on the one hand, and the consumers of services, on the other, take considerable time to be debated and enacted and put into effect, the enterprise managers will usually have ample time to prepare news releases or internal memos about the changes about to take effect, to include at least the following descriptive elements:

- ! The goals of the new law or regulation, whether imposed by the national government or sought by the local authorities.

- ! The challenges in administering the new law, and the effects to be felt by the consumers, if any.
- ! The financial costs and other constraints that are likely to affect consumers or employees, or the city budget as a whole.

Officials should be mindful that the public has little interest in the details of municipal administration, and so the laws being explained should be only those that will have a direct effect on the consumers of the service(s), or on the city's financial condition. Other items of interest to the managers of the city or the JSCs should be reviewed for public appeal, and the top administrators should limit the number of release of information in order to avoid lulling the population with too much information of marginal or no interest to them.

Press Releases

This is one of most effective and acceptable tools for information dissemination and communication under current Polish conditions. The press officer should be on line with the major media, and when possible should prepare well in advance written materials (to ease the journalists' work). As most journalists now working for local papers and television are young people, the press officer should also be young, polite, helpful, and friendly. His or her scope of work should be prepared and supervised by professionals, and he or she should be given some editorial license as to the types of releases made and the clientele bases created and nurtured.

Customer Surveys

In Bielsko - Biala no detailed customer surveys have been carried out. ZOM has done a short questionnaire on customer satisfaction with trash collection. And MZK has made some efforts to collect information on passenger usage and satisfaction with service.

To ascertain the most important target areas for customer needs, detailed surveys should be undertaken. In particular:

- ! Projected waste volumes and types, in view of recycling potentials.
- ! Trip behavior patterns for bus riders, and the elasticity of riders offered alternative routing.
- ! Customer satisfaction with the kinds of services projected to be offered under moderate fee increase levels, no increase levels, and substantial increase levels.

- ! Quality of life concerns of citizens at large and their elected representatives, for example, buffer zones around the landfill, on-demand bus service for remote areas, recycling of a wide range of disposables, more elaborate bus shelters.

Public Meetings (Hearings)

There are local (for each housing unit, *Osiedle*) councils, working directly with larger groups of inhabitants. These *osiedle* could be a basis for public meetings and hearings at the neighborhood level.

There is no tradition of routine public hearings in Poland. So, to introduce such a useful measure the city and the JSCs should start with a pilot case. Suggestions are:

- ! For waste management: presentation of options for a wide system of waste segregation and recycling. Using questionnaire results as a basis and a start for discussions, participants could make inputs into some of the basic decisions about collection and disposal programs, and the design of the landfill necessary to accommodate such programs.
- ! For public transport: in order to lower costs but keep patronage, and based on customer questionnaire results, have the public make inputs into routing alternatives.

As a minimum, these hearings and interactive sessions should be videotaped for editing and distribution, or more preferably, covered by local television, radio, and newspapers. The format should allow for non-intrusive coverage to allow for greatest spontaneity.

Presentations of New Undertakings

One of basic goals for the transformations of municipal utilities is to introduce a new system of management: more effective, more open, and more entrepreneurial. To be successful this action should be connected with important new undertakings which will bring a new quality of services. Such undertakings could be, for example:

- ! For ZOM:
 - C New containers, including a wider waste segregation system
 - C New or reconstituted vehicles for waste collection or snow plowing
 - C A new tariff scheme which introduces incentives for waste recycling
- ! For MZK:

- C New (and possibly special purpose) buses
- C Expanded or otherwise improved bus stops
- C A new tariff system with incentives for higher mobility

Joint endeavors by the city administration and Council and the JSC management should be stressed to show that the city government has a stake in and interest in the JSCs' success above and beyond the majority vote on the boards of directors. This demonstrates an innovative intent on everyone's part.

Brochures for Clients (and General Public)

Brochures are a traditional but effective mode of disseminating information. Now in Poland it is a rather common method. Citizens approve of this graphic and inexpensive method for reaching wide audiences.

NEGOTIATIONS AND EXPLANATIONS

The section below describes some of the major areas of concern for the managers of the JSCs and the representatives of city government. Negotiations with unions and any other employee organizations are of utmost importance in building a collaborative relationship that is within legal bounds and acceptable Polish municipal practice.

The offers to unions are discussed in more detail in the action plan, but it is important to note here that the offers should be in the form of very firm plans for the early years of the JSC status for the enterprises. While the impression should be reinforced that all things are somewhat negotiable, it should be stressed by managers that in order for the JSCs to prosper (to the benefit of employees not the least) work force size must be controlled and managed for full effect. Providing more service per unit of cost is one of the main goals of the restructurings, and the reason for gaining more management autonomy is not to take away restraints placed on the JSCs by the city, but to demonstrate an ability to work better with less direct control.

Offers to Unions and Employees

The restructuring must contain some clear and serious incentives for employees. This is a most important challenge for the city, JSC managers, and consultants. To make itself successful, a company must prepare and implement the following before starting negotiations:

- ! Medium- and long term restructuring plans, including annual business plans and capital investment schemes.

! Projections for employment levels and revenues for salaries (shown clearly in a plan based upon service level assumptions and fee projections).

! Expectations about the types of efficiencies other than layoffs to be instituted.

This is not to say that the work force should be guaranteed its present makeup and size. They can, as in other cities, buy into a natural reduction scenario, with reductions in force taking place as equipment and other efficiencies are made, and as the demographics of the work force permit (attrition or buyout of workers nearing retirement age, for example).

Employees as partial owners of the JSCs will support programs to weed out the least productive workers, whatever the cause of such low productivity (low educational level, improper posting, alcoholism, etc.). Experience in other cities has shown that workers who have an interest in the company are less tolerant of job abuse, and they see attrition as way to increase the compensation of the workers who remain.

What Is the Difference Between A Budget Unit@ and A Joint Stock Company@?

When restructuring started in 1990 the reasons for doing so were generally to improve operations by improving the flexibility and accountability to customers of major city departments which were perceived to have the potential for growth and less dependency on city subsidies as their fee revenues were allowed to increase over time. The companies were projected to benefit after restructuring by increases in autonomy, by transparently needing to reconcile expenses with revenues, by making more major inputs into tariff setting based on an expansive planning process, and by instituting management improvements as a result of divided ownership and the opportunity to make a Aprofit.@

These aspects will give both companies much better flexibility in operations. Naturally it is impossible to leave the companies without City control and supervision, but all aspects of relations between the companies and the City must be done under proper contracts. The proof of the theories about autonomy, increased effectiveness, etc. is in the proper administration of tight contracts by competent managers in the companies and in the city administration.

Client Orientation

This is one of the greatest changes in the working environment of the two companies. Now a passenger of MZK or a resident for ZOM becomes a **client**. This concept will have difficulty taking root in the Polish society, but a concentrated communication program can overcome some of the holdover command economy thinking if certain advantages of the client orientation are stressed. Among those are:

- ! A higher quality of service attracts more clients, which stabilizes enterprise employment, creates profits, and leads to an even higher level of service.
- ! Income is made only as a positive difference between costs and revenues, and unit costs and profits depend on having a secure and growing client base.
- ! Consumers now have more choices about transportation and solid waste disposal, and they will cease to be clients of the JSCs if they see more convenient and cheaper solutions to meet their needs.
- ! Clients, and former clients, will vote out of office those city officials who fail to support good transportation and solid waste services.

BASIC AIMS OF THE PROGRAM

Bringing Higher Quality Public Services at Reasonable Prices to Clients, and Lower Costs to the City Budget

It must be stressed strongly that this result is a basic one and all others are subsidiary. None of the stakeholders will take the enormous political and personal risks required to make the restructurings viable if there are not very tangible financial and service benefits that will be felt quickly by the consumers of the services, and seen in the city's budget within a few years.

These gains must also be seen as a logical part of democratic and institutional improvements taking place rapidly across Poland, not as an isolated experiment with a high risk potential.

Making the Transformations as Smooth as Possible

As Polish law doesn't require the agreement of the employees (or unions) to restructure a budget unit (while it's required for a state enterprise) such an agreement is politically necessary. This will allow management to work with less likelihood of protests or strikes.

The effort will be doomed to failure if there is not a continuity of leadership either through a timely appointment of top management or the continuation of existing managers of the two JSCs. The effort will also fail if the public and the employees see great disunity among policy makers as the first few years unfold. Disagreements over details are expected, but unanimity over the concept of making the restructurings successful is key to the process.

Strengthening the JSCs Through Job Satisfaction

The communications program must be seen and used by management as a tool for developing an ethic among workers that their efforts contribute directly to positive or negative outcomes for the JSC. When that connection is made and reinforced, resistance to overall program effectiveness that requires some amount of sacrifice will diminish. Sacrifice will then be seen as an ingredient for success rather than a surrender to the will of the top management.

PROGRAM SCHEDULE

Of necessity the planning for the restructurings was done in a near vacuum. Several city administrators and Councilors, a dozen or so staff, and a few employee representatives played a formal role in the process. The media were given selected information through an official department of the city. Present and future customers were approached selectively, as were potential investors. Employees were briefed only on a few specifics, although it is assumed that union representatives passed on the results of their briefings by city officials.

Therefore there is no accurate way to assess the reaction about to be voiced by the public and specific interest groups, as the plan unfolds in a public setting. However, a general plan of action can be drawn up, subject to fine tuning and the inclusion of specific issue areas brought up by those who respond to the plans as they are publicized and debated.

The communications policy documents are proposed to be prepared by professionals, then discussed and approved by the City Council, and then implementation will be the responsibility of the City Executive Board (Local Government). There is no likelihood for very wide public discussion of the restructuring process because that process is now far advanced and a Council decision is imminent.

A detailed working action plan is proposed below. In the following paragraphs the acronyms are:

- C LG - Local Government (The City Executive Board)
- C CC - The City Council
- C CM - Joint Stock Company Management
- C Un - Unions

Local Government and Citizen Relationships

- ! Presentation to the public of transport or waste management policy and the role of public utilities (done by LG).
- ! Establishing and presentation of a general tariff policy for a minimum of 5 years (CC). These are to be derived from financial models produced by the team, and

- are assumptions about rates of fee increases necessary for continued improvements to service and equipment.
- ! Announcement of vehicle and other equipment renewal policy and program (LG).

Company and Client Relationships

- ! Incorporation of ZOMSA ongoing information on zoning, lines, timetables, tariffs (CM)
- ! Advertisement of services (CM)
- ! Training of staff on client/company relationships (CM, Un)
- ! Investment information on rolling stock, cleanness, safety (CM)

Local Government and Company Relations

- ! Declaration of LG on urban transport policy and public transport priority (LG)
- ! Declaration of LG on waste management policy (LG)
- ! Announcements on revenue/costs agreements and contracts (LG, CM)
- ! Results on subsidy policy negotiations (CC, LG, CM)
- ! Clear reward/penalty agreements (LG, CM)

Management and Employees (Unions) Relationships

- ! Salaries negotiations and quarantines (CM, Un)
- ! Employment quarantines (CM, Un)
- ! Equipment improvements (CM)
- ! Other social benefits (CM)
- ! Efficiency declarations (Un)



ANNEX A

TABLE OF ACTION PROGRAM AND TIME SEQUENCE

This table shows possible staging and task orientation for the three main actors of the reform program: the Mayor's Office Management of the two companies, and unions. Due to the importance of this component of the restructurings, and due to the novelty of some of the tools to be used (design charettes, financial statements as sales techniques, etc.), it is critical that the mayor's office assign someone in a position of authority to carry on monitoring activities for the duration of the program. A report should be produced by the city at the end of the program's main components in order to aid other Local Government Partnership Program cities contemplating similar efforts.

Who	For whom	What	Lead	Time sequence
Local Government	General public	Series of public presentations and meetings with the City and media: \$ presentation of local (and regional, state) policy on transport and waste, \$ stressing new challenges for urban policy and possible advantages for other Joint Stock Company \$ presenting tariff policy and projections for at least five	the Mayor's office	month 1
Local Government	Local councils	Information and training program offer to spread new policies on public transport and waste management. This document is presented to each of the existing local councils in open session. Municipality prepares a report on the results of these meetings to work on a revised program. The report contains each of the problems discussed and a reaction: accepted or rejected by councils, and reasons	Local government	2



Who	For whom	What	Lead	Time sequence
Local Government	ZOM	<p>Establishing the waste management policy as a part of an urban ecological and economic policy (a document, agreed by the City Council, presented to ZOM), including:</p> <ul style="list-style-type: none"> \$ landfill operations policy (given contract or bid), \$ license competition - present and future policies \$ ecological fund policy <p>This document is disseminated to company management and presented to employees</p>	Local government	3
Local Government	MZK	<p>Establishing the public transport policy as a part of an urban transport system (a document, agreed to by the City Council and presented to MZK), including:</p> <ul style="list-style-type: none"> \$ modal split target - public/ private mix and types of bus transport to be offered \$ traffic management program, including consideration of trunk highways and new bypasses \$ parking policy, especially relating to the Old Town and city center issues \$ tariff and subsidy policy, by whatever name, including discussions of social policy needs of specific client groups (elderly, handicapped) <p>This document is disseminated to company management and presented to employees</p>	Council-s appointee for master planning	6



Who	For whom	What	Lead	Time sequence
Stage II: Company and client - initial phase				
ZOM	Property owners	Written program for company reforms, including: \$ new containers, with waste segregation options, \$ rolling stock policy (reconstruction of existing fleet, some new purchases) \$ new service products, like special offers, hazardous waste collection \$ landfill operations offer (working hours, on-site services, billing practices, remediation and landscaping issues) This document is disseminated to the public as a booklet with existing services (e.g. bills) and <i>via</i> media	ZOM management	3
MZK	Passengers	Written program for company reforms, including: \$ new rolling stock purchase \$ marketing policy \$ employment policy (training, better payment for better work, client orientation) \$ plans for focus group sessions on public perceptions of service levels and requests for new services This document is disseminated with ticketing and <i>via</i> media.	MZK management	3
Stage III: Local government and companies (ZOM, MZK) - initial phase				
Local Government	Management of companies	Written agreement on company reforms procedures and guarantees, including: \$ dedicated range of services, \$ allowed expansion of services on the company-s initiative \$ staff training program (to be provided by the City) \$ union leaders training (to be provided by unions associations with city support)	The Mayor-s Office	2
Local Government	Management of companies	Initial future contract negotiations , with regard to clarifying all parties= subjects for negotiations	The Mayor-s Office	2



Who	For whom	What	Lead	Time sequence
Stage III a: Summary of program definition				
Local Government	City Council	Presentation of the results of stages I - III to the City Council. After debate - political approval of main directions.	The Mayor	3
Local Government	General public	Announcement of the results of stages I - III <i>via</i> media as a beginning of new approach to public services in Bielsko - Biala	The Mayor and Office	3
Stage IV: Company Management and unions and employees				
Company management	Unions	First informational meeting, with regard to the following: main reform goals of the city strengths, weaknesses, opportunities, and threats to the new system	Manager and dedicated program officer	3
Company management and unions (separately)	Management and union reps	Wide information meetings (rather in smaller groups as they work every day) on dissemination of above information	Program officer	
Company management	Unions	Negotiations (preferably first done informally as a definition of bargaining parameters in a document entitled <i>Aintent to negotiate</i>) on new system: service contracts, internal issues, possible commercial activities, including: \$ salaries negotiations and hold harmless measures \$ employment level assurances \$ equipment improvements \$ other social benefits \$ efficiency goals and measures thereof At the end of these negotiations - joint public presentation of results <i>via</i> media	Managers	4
Local Government	General public	Presentation of results of negotiations and final concepts to be prepared for implementation.	The Mayor	4



Who	For whom	What	Lead	Time sequence
Stage V: Restructuring process				
Local Government	Company	Negotiations on service contracts and company statute: \$ parties of negotiations: the City, company management, and with unions as observers \$ also as observers or mediators: City Council members (recommended task committee) \$ during the negotiation period presentations to unions and employees should be made	The Mayor's Office	5
Company	Unions, employees	Detailed negotiations on employment and salary restructuring and guarantees: \$ scoping meeting on possible fields of negotiations, \$ business plan and cash flow presentation and discussion, \$ possible City guarantees and market opportunities and	Company Manager	5
ZOM	General public	As mediators the Mayor's Office representatives and City Council members can be involved. Marketing information process on new approach to public service, e.g.: \$ customer surveys and focus groups - intent and scheduling of \$ wider service offered- advertising campaign \$ introducing new products \$ new containers: presentations and advertisement, waste segregation special marketing (as an environmental issue)	ZOM marketing Officer	5



Who	For whom	What	Lead	Time sequence
MZK	General public	Marketing process on new approach to public service, e.g.: \$ customer surveys, traffic counts (in co-operation with the City Utility Department) \$ wide service offered information and advertisement (timetables printing and wide dissemination) \$ introducing new products \$ new buses: presentation of scheduling and types, and advertisement \$ new drivers= uniforms and other components of customer- friendly service	MZK marketing Officer	5
Marketing to potential investors and local business interests				
Local government	Targeted investment groups and major manufacturing and service groups	Design charettes of 1) city-s overall transportation plan revision, with MZK officials as active participants, and 2) new landfill design schematics, including area within 1 kilometer radius, with ZOM officials as active participants	Council-s planning designee	7
Local government	Potential investors	Presentation of documents describing the financial conditions of the two JSCs	City financial officer	twice a year